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ABSTRACT

Higher education in the State of Connecticut is examined in light of the problems created during a time of retrenchment. Centered on the thought that the state's educational institutions have over-expanded, this report studies the historical background and financial arrangements of Connecticut higher education and offers recommendations for dealing with the current and future financial crises. The history of Connecticut institutions is traced from 1945, noting large enrollment increases and facility expansions for both the public and private sector. The various methods higher education institutions have used to borrow money are examined including: demand loans, mortgages, federal funding, state funding, and collegiate bonds. Specific problems for the state's higher education institutions that are discussed include declining enrollments, competition between the independent and public schools, internal problems, inflation, and delayed retirement. Information on the relative solvency of the Connecticut schools and methods for handling delinquent loans are also provided. Recommendations are made for federal and institutional policies to help the schools survive the coming years. (SF)

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1980 - 1995
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SPECIAL REFERENCE TO CONNECTICUT

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A. M. WOODRUFF

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MAY, 1979

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FOREWORD

Connecticut higher education emerged from the turmoil of World War II looking much as it had for the fifty previous years. The 34 years since the war ended have been a period of very rapid change and very great expansion. The next decades promise continued change, since the largest downturn in the birthrate of the state's history will cause an equally abrupt shrinkage.

The expansion required a lot of capital, and the main source for the independent colleges was lending agencies of the federal government. An important secondary source was the state agency CHEFA, Connecticut Health and Educational Facilities Authority, which marketed tax-exempt bonds for colleges, but without state guarantee. The state used its own full faith and credit bonds to rebuild and expand the public colleges.

The federal government and the state urged the institutions of higher education to expand and to borrow, as necessary, to do so. Underwriting of federal loans was generous and those independent institutions which expanded most were the heaviest borrowers. Some federal predictions of demand were overoptimistic, and the loan underwriting practices of the 1950's and 1960's reflected both this optimism and an overriding concern that enough collegiate space be available to meet all expectations.

The old Ivy-League-type institutions were cautious borrowers and expanded in a rather gingerly way. The state institutions rode the fiscal coattails of the commonwealth. The independent institutions which responded most readily to the federal plea to expand borrowed on their own credit; some expanded too much and, as a result, face serious financial problems.

Declining enrollments, inflation, and new retirement laws on top of considerable debt incurred in the fifties and sixties cast a gloomy shadow over the next two decades. We do not have the gift of foresight and something may cause our pessimism to be unwarranted, but we cannot risk to live by unfounded optimism and continue on our present path which may lead many institutions to the brink of disaster.

April 1979

CONTENTS

Page

FOREWORD
CHAPTER I - BACKGROUND 1
A. THE DEMAND FOR HIGHER EDUCATION AFTER WORLD WAR II 1
B. PLANNING FOR EXPANSION 2
C. INSTITUTIONAL RESPONSE TO EXPANSION PLANS - INDEPENDENT COLLEGES 5
D. INSTITUTIONAL RESPONSE TO EXPANSION PLANS - PUBLIC INSTITUTIONS 6
E. INTERRELATION OF INSTITUTIONS DURING THE EXPANSION 7
F. FINANCING THE EXPANSION 10
G. TWO DECADES OF FISCAL EUPHORIA - 1955-1975 - AND THE RUDE AWAKENING 12
Notes 14
CHAPTER II - THE BORROWING PROCESS 17
A. IMPORTANCE OF FEDERAL INTERVENTION 17
B. WAYS TO BORROW MONEY 17
C. MORTGAGE LOANS 18
D. FINANCING THROUGH THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE (HEW) 21
E. THE HOUSING PROGRAM 22
F. HEALTH, EDUCATION, AND WELFARE PROGRAM 23
G. COLLEGE FINANCING THROUGH THE CONNECTICUT AUTHORITY 25
H. THE RESALE AND RATING OF COLLEGIATE BONDS 26
Notes 28
CHAPTER III - TROUBLE 29
A. DECLINING ENROLLMENTS 29
B. GEOGRAPHY AND COMPETITION BETWEEN THE INDEPENDENT AND PUBLIC SECTORS 30
C. UPS AND DOWNS OF INDEPENDENT INSTITUTIONS 32
D. INTERNAL PROBLEMS - FACULTY AND OTHERWISE 34
E. INFLATION, DELAYED RETIREMENT, AND REDUCED ENROLLMENTS 35
F. THE COMING DECLINE IN FULL-TIME STUDENT ENROLLMENT 37
G. JUST HOW BAD WILL THE TROUBLE BE? 39
Notes 44
CHAPTER IV - ENROLLMENT, INFLATION, INCOME, AND DEBT 45
A. INDEXES OF SOLVENCY 45
B. INCOME 47
C. GIFTS AND GRANTS 48
D. DEBT 52
E. BREAKDOWN OF EXPERIENCE BY COLLEGE 54
Notes 57

CHAPTER V - HANDLING DELINQUENT LOANS..... 58
A. WORK-OUTS..... 58
B. COLLECTION POLICIES OF DEPARTMENTS OF HOUSING AND URBAN DEVELOPMENT, AND HEALTH, EDUCATION, AND WELFARE..... 60
C. PROBLEMS PRESENTED WHEN THERE ARE MULTIPLE CREDITORS..... 61
D. THE POLICY QUESTION - LIQUIDATION OR PRESERVATION..... 63
E. THE MERITS OF SMALL COLLEGES..... 64
Notes..... 65
CHAPTER VI - PATHOLOGY AND THERAPY..... 67
A. THE DEADLY SIGNS..... 67
B. WHAT THE COLLEGES WILL HAVE TO DO FOR THEMSELVES..... 68
C. RELATED PROBLEMS IN THE PUBLIC SECTOR..... 70
D. WHAT THE BIG FOUNDATIONS CAN DO TO HELP..... 71
E. WHAT THE STATE GOVERNMENT CAN DO..... 71
F. WHAT THE FEDERAL GOVERNMENT CAN DO..... 72
CHAPTER VII - CONCLUSION..... 78
BIBLIOGRAPHY..... 81
APPENDIX..... 83

CHAPTER I - BACKGROUND

A. THE DEMAND FOR HIGHER EDUCATION AFTER WORLD WAR II

World War II convulsed the educational world. Until the war, higher education in Connecticut was about what it had been for a half century. Colleges like Trinity and Wesleyan, for instance, were content with 500 or so students. After the war the nation had a great educational expansion. New colleges and universities were founded. The public sector grew from about 8,800 full-time students in the 1920's to almost 50,000 in the late 1970's. The independent sector grew from about 10,000 to almost 30,000 in the same time. (Appendix A) The two sectors now have about equivalent numbers of part-time students. Relative growth rates were 1:5.68 in the public and 1:3.00 in the independent sector. By the late 1970's Connecticut had nearly 50 educational institutions counting some very small church colleges. (Appendix B) Such rapid growth encourages ragged flowering.

The years since the end of World War II divide themselves more or less tidily into approximate ten-year periods:

1. 1945 - 1955 Veterans's bulge,
2. 1955 - 1965 The great period of expansion,
3. 1965 - 1975 Continued expansion at the start - some shake-out at the end,
4. 1975 - Stable and high enrollments first five years.

Many events disrupted college admissions in the post-war years from an even and predictable pattern. Five factors "normally," i.e., most of the time, determine college enrollment:

1. The number of births 18 years previously,
2. The percentage of those born who will go through high school,
3. The percentage of those finishing high school who go on to college,
4. The number of local high school graduates who go out of state to college, and vice versa,
5. The number of college eligibles moving in and out of the state.

When the veterans came home, the birth rate rose from 25,000 births in 1940 to 45,000 in 1947 in Connecticut. The rate fluctuated and hit an all-time peak in 1957 of 56,909 births. The baby boom forecast an above capacity demand on higher education. (Appendix C)

The birth rate remained high until 1965, but Connecticut had a mild economic downturn during this decade and more families with children near college age left the state than moved in. The total population in 1965 was 2,800,000, up 527,000 in a decade during which 560,000 babies had been born. The population of the state was not quite keeping up with its own birthrate in that decade because of a net out-migration.

The college-bound percentage rose in the 1945-1955 decade to about 30 percent, and when it continued to rise, some planners projected 80 percent. The uptrend ended in 1972 at about 66 percent, and then receded to about 60 percent at which point it has since held steady.

B. PLANNING FOR EXPANSION

In 1955, the legislature called upon the Board of Trustees of the University of Connecticut and the State Board of Education (House Joint Resolution No. 123, Regular Session of 1955) "...to furnish leadership in education by addressing themselves jointly to the state's problem of the present and the approaching need for more facilities for training on the college level."[1] The designated committee went to work and, meanwhile, the Connecticut Public Expenditure Council, a privately funded fiscal watchdog, undertook to make an interim report.

In 1956, the Council published the interim study which raised three questions:

1. Who should go to college?
2. Who should provide it?
3. Who should pay for it?

The Council said:

> It is of great importance to our society that individual talent be recognized and encouraged. Mental capacity is not limited to those who have the greatest economic resources. It is found throughout social strata including the lowest income groups. Our society as a whole needs the maximum number of educated minds wherever they may be found. This is the challenge: to find the most able minds and provide suitable education programs for them.

Presidents of several independent colleges, when interviewed, showed small disposition to help solve the problem.[2] The Joint Committee and the Connecticut Public Expenditure Council both concluded that most of the required growth would have to come from the public sector.

The colleges we will call "The Ivy League," Yale University, Wesleyan University, Trinity College, and Connecticut College, stood pat planning less than 1 percent growth. Two other groups said they would expand. These were the colleges described in the committee reports as "denominational" (Albertus Magnus College, Annhurst College, Sacred Heart University, Fairfield University, and St. Joseph College) and the institutions then described in the reports as "community colleges and universities" (University of Bridgeport, the three colleges that formed the University of Hartford, Post College, New Haven College, which soon became the University of New Haven, Quinnipiac College, Hartford College for Women, and Mitchell College).

The term "community college" shortly came to be applied exclusively to tax-supported two-year institutions, whereas all those listed above are independent. For easier designation, the two groups "denominational" and "community" mentioned in the Joint Committee report are lumped together in the present monograph and called "tuition-dependent," i.e., without a large endowment. Still another group - small and very strictly church related - is called "other."

The tuition-dependent institutions said they could accommodate by 1965 about 6,500 more students than the roughly 11,500 they had in 1955. Growth exceeded all expectation. By 1965, the independent sector had grown by a factor of 84 percent to 21,074 students. Of this, the Ivy League, in fact, grew 22 percent, the tuition-dependent colleges about 162 percent, and "others" 183 percent. While the percentage was high for "others," actual numbers were small, and most of the new students were in tuition-dependent colleges. (Appendix D)

Meanwhile, the public sector responded with an enthusiasm that surprised everyone and grew by 120 percent from about 10,000 in 1955 to a little over 22,000 by 1965. The fact that overall growth had in 1965 come quite close to the prediction made ten years earlier and had taken place faster than most local administrators had expected, encouraged all concerned to think that such wonders would never cease and that the supply of new students was indeed inexhaustible. (Appendix E)

During the third decade the four Ivy League institutions shed tradition and Yale, Trinity, and Wesleyan, formerly all male, became coeducational. Connecticut College, formerly all female, took in men. In the course of this change-over the Ivy League grew an additional 34 percent.

Five tuition-dependent institutions continued to grow, but not quite so fast as they had, and four colleges contracted a little. Church relationship seemd to make no difference; two of the five that kept growing and three of the four that contracted were church related.

Having got up its momentum in the second decade, the public sector kept on growing rapidly in the third. Proportions of students in the two sectors had not changed much in the second decade; the public sector had 47.2 percent at the start and 49.2 percent at the end. The fast continued growth of the public sector in the third decade and the slowed growth of the independent sector made for major changes in proportion. The public sector had started the decade with 49.2 percent of the students and ended it with 62.8 percent. This was primarily due to the rise of the public community colleges.

The Vietnam war dominated the third decade. In 1964 Congress passed the Gulf of Tonkin Resolution, authorizing the President to commit combat troops. In February 1965, President Johnson ordered Air Force bombing and in June he ordered 23,000 "advisors" into combat. By the end of 1965, 184,000 American troops were involved and the number grew to 543,000 by 1969.

Young America clearly felt that the war was being mismanaged, Soldiers were shipped across the Pacific in large numbers and many given virtually nothing to do for a year at a time. They sweltered in a climate which most Americans found intolerable and worried constantly about attacks on the perimeters of large camps like DaNang. Such idleness corrodes the morale of any troops. Meanwhile, small bodies in exposed positions were taking heavy casualties.

The press was very critical and television in living color brought all the horror of guerilla war into every living room. Many draft-age Americans fled the country to avoid service, and other thousands sought college admission, since under the laws of that period this provided haven.

Students sought ways to stay in college and graduate school. Some students shifted majors in midstream and so took a fifth year of undergraduate work. Others deliberately flunked courses so they would have to repeat them. Many students made no pretense of intellectual interest; they were frankly in college to avoid the draft and had no other immediate objective. This was the era of violent student protest and, as the war gained in unpopularity, student unrest gained in intensity.

The war began to wind down and some American troops were withdrawn in July of 1969, and withdrawals continued until by 1973 the process was

largely complete and a "peace" treaty signed. In 1971 college enrollment began to stabilize and it has been fairly stable every since.

National forecasts had predicted growth rates of 6.4 percent in 1970 and 4.4 percent in 1975. Connecticut enrollments fell instead, because the percentage choosing college fell faster than the numbers rose. After 1970, Connecticut lagged behind the national predictions. It fell very short in 1972 and had moderate shortfalls in each of the other years.

C. INSTITUTIONAL RESPONSE TO EXPANSION PLANS - INDEPENDENT COLLEGES

The Ivy League had the least incentive to expand. They expanded slowly between 1955 and 1965, and more rapidly between 1965 and 1975. The tuition-dependent institutions wanted to acquire campuses in place of the cramped downtown quarters where most were housed, improve their academic service, and provide a more agreeable atmosphere. Before 1955 many had been primarily evening colleges. The accrediting associations looked down on them and suggested more books, more full-time faculty, and better physical facilities. Withal, these institutions long served the real need of hard-working and deserving persons employed in the daytime, but sufficiently determined on self-improvement to go to "night school."

These colleges were painfully aware of their status and were eager to improve it through a little academic social climbing. When the federal agencies provided funds, they lined up at the loan window as eagerly as the entourage formed behind the mythical Pied Piper in Hamelin.

Hillyer College, one of the colleges that formed the University of Hartford, had been founded in 1879 to teach English and useful mechanical skills to newly arrived Americans. Hillyer did not grant degrees until the 1930's and owed its early survival to the sheltering arm of the YMCA. New Haven College and Quinnipiac College were developed to meet local needs that Yale did not meet. Several Catholic colleges were founded as a logical extension of the parochial schools.

As tuition-dependent colleges acquired campuses and made other improvements, they developed a broad-based new clientele. Six students were in college in 1976 for every one in 1936. The population was larger, more people could afford college, and more jobs required it. The Ivy League, once the whole academic community, could not handle the numbers. Many students whose secondary school records would have once gained them admission to the Ivy League turned perforce to the new institutions. Students formerly served by the independent evening colleges continued to attend their "evening divisions," but in 1965 the new tax-supported "community colleges" began to take over this load.

D. INSTITUTIONAL RESPONSE TO EXPANSION PLANS - PUBLIC INSTITUTIONS

In the post-war decades size was extravagantly admired and presidents who could obtain funds for expansion were applauded. The legislatures and the state bureaucracy were anxious to keep education accessible and provided both incentive and means to build larger and more stately educational mansions. Forgotten in the raucous acclaim for size was the splendid teaching that has always gone on in some institutions with 200 and 300 students.

The Connecticut state colleges (founded between 1849 and 1903) were "normal schools" before the war. Thereafter, boards of education began to demand (and pay for) teachers with bachelors and masters degrees. The normal schools became colleges, taught more liberal arts, broadened into occupational fields other than education, and began to award degrees.

The community colleges (founded between 1961 and 1972) were designed to provide open admissions and geographical convenience. The idea of geographical convenience acquired some new aspects at the hand of the legislature, and Connecticut wound up with a larger than average number of smaller than average colleges.[3]

Competition within the public system reached heights of artistry never reached in the independent sector, presumably because the institutions were all competing for places at the same public trough. At the start of the movement it was thought to merge the state technical colleges with the community colleges. Excellent arguments were presented for this, but the technical colleges fought to keep their separate proud identity. The community colleges, nevertheless, added bits and pieces of "vocationally oriented" education.

For a state geographically small and highly urbanized, Connecticut went a bit overboard in its community college movement. The 12 such colleges, plus the five 2-year public technical colleges, plus the four two-year branches of the State University provide 21 two-year tax-supported facilities,[4] one per 148,000 persons in the 1976 population of the state. Nationally there are 897 tax-supported two-year facilities, one for each 238,000 persons. In relation to population Connecticut has 1½ times as many facilities as the national average.

Connecticut's two-year facilities are much smaller than the national average. The averages for Connecticut are 607 full-time students, 1039 part-time, and 273 unclassified. Of these, 1646 (607 + 1039) are

"enrolled" students. The national average is 4250, and 20 of the two-year public colleges had more than 20,000 students. The national average is about 3 times the state average.

Since the state has only the very bare rudiments of a public transportation system, the great bulk of the students use private automobiles. Once an automobile is started, even during a gasoline shortage, a few extra miles do not make a vast difference. There was consensus in the legislature that one tax-supported, open admission facility should be located in each major city which has some bus service running from impoverished residential areas to the campus.

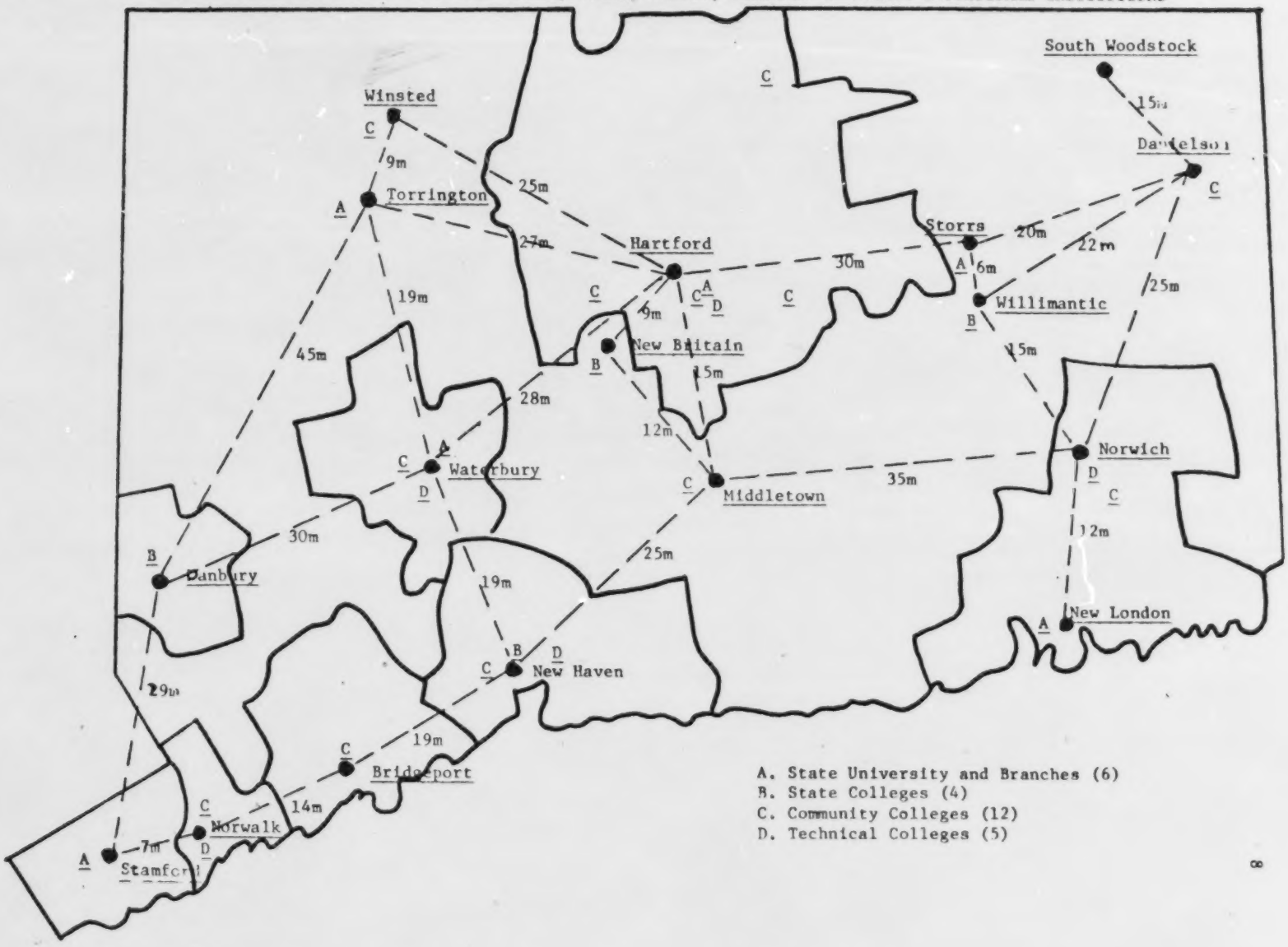
As things worked out, Greater Hartford has six facilities, one per 176,000 persons, the New Haven Standard Metropolitan Statistical Area has five, one per 152,000 population, the southwest area (Bridgeport, Stamford, Norwalk, and Danbury) has three, one per 267,000 persons, and the southeast (New London, Norwich, and Groton) has 3, one per 80,000 population. The four State University branches are selective, the other seventeen provide basically open admission.

Four of the two-year facilities are outside the SMSA's, and one of these is genuinely rural. These four include three community colleges and one State University branch. They average 430 full-time and 1011 part-time, or 1441 students. Two of the four serve 150 or less full-time students. In the rural area one State University branch (serving 164 students) is nine miles from a community college which serves 2500 full and part-time students. A map follows on page 8.

E. INTERRELATION OF INSTITUTIONS DURING THE EXPANSION

Cost differences for the student between the public and independent sectors are considerable. The student in a Connecticut community college paid about $350 in 1978. In the same year the cost in the state colleges was about $700 plus room and board. The cost in the State University was a little short of $1,000 plus room and board. Ivy League tuition (not room and board) then averaged about $4,800, and the tuition-dependent institutions charged about $2,850. In the endowed Ivy League institutions tuition paid for about 60 percent of educational cost. The tuition-dependent institutions had some endowment and received some gifts, but tuition paid close to 90 percent of their educational cost. The independent sector cost <u>included</u> service on any debt which they might have incurred during the era of expansion. Debt service in the public sector was paid out of the general fund and was <u>not</u> reflected in tuition or fees.

CT STANDARD METROPOLITAN STATISTICAL AREAS, TOWNS, MILAGE, LOCATION OF PUBLIC EDUCATIONAL INSTITUTIONS



Some independent institutions which borrowed heavily during the period of lush financing have since faced financial troubles as their enrollments either shrank or else failed to grow as anticipated.

As the public sector outgrew the independent, some independent administrators lamented that they had lost students to the public sector (and, hence, had lost income and ability to meet debt payments). As some independents suffered declining numbers in the early seventies, they noted that the growth on which they had depended to meet their debts had gone instead into the public sector.

Three questions arose:

1. Did students actually shift to the public sector?

2. Did the public sector attract a larger proportion of the adequately prepared students?

3. Did the public institutions tap a new clientele, which had not previously gone to college?

None of these can be answered conclusively, but all can be partly answered intuitively. Some students did shift physically to public colleges.

The University of Connecticut and the state colleges attracted more of the well-prepared high school graduates than in the early post-war years. The community colleges almost certainly were accommodating large numbers of "new" full-time college students, whose families did not have a tradition of college attendance. The price difference between sectors was considerably less for part-time study than for full-time,[5] and the independents could compete more effectively in this category than in full time.

Business and industry buy considerable educational service, including courses to be given on their own premises. The independent sector had rendered this service for years but, because of the subsidy, the public can usually underbid. Independents have pointed out that the state subsidy for such courses benefits the employer more than the employee, and taxpayers' money should not subsidize large corporations.

The state has subsidized its independent institutions off and on for some time. Yale was heavily subsidized in the early years of the republic. Borrowing assistance to the independent sector (Connecticut Health and Educational Facilities Authority) was available in the 1960's and 1970's.

Recent direct subsidies have been limited to scholarship aid and a very modest contract program. In 1977 the state budget for public higher education, aside from the medical school, was well over $100,000,000 of which the independents got $4,000,000.

The independent institutions have the advantage of being able to make decisions faster. Public institutions have to go through the hierarchy of boards which usually meet only monthly. Independent institutions have had new programs going within 24 hours, compared with as much as two years in the public sector. They have the tradition of more individualized service, and classes are generally smaller, giving students more chance to rub elbows with faculty members.

Among 75,000 full-time students, some obviously transfer each way each year. Students who transfer from the independent sector usually stress cost and geographical convenience. Students who transfer from the public sector to an independent usually grumble about cost, but mention smaller classes, more personal attention, and also mention geographical convenience.

Relations between particular institutions in the two sectors have ranged from cordial mutual support to snarling mutual distrust. Some independent institutions helped community colleges get started. At first, students graduating from community colleges had less trouble getting into a four-year independent than into a state college or the university.

Formal academic cooperation among institutions in the independent sector has become well established (though not extensive) in the past 15 years, even between the Ivy League and tuition dependents. Formal cooperation across sectoral lines has been far more difficult, and little has occurred in practice despite the heroic efforts of some presidents. The extraordinary cumbersome bookkeeping practices forced on public institutions constitute one serious roadblock.

The state has a declared policy of sending students from public institutions to take specialized material from independents. It is cheaper to buy the service from an independent than to provide it from public funds, but this program has been funded in amounts so small that it has never really been tested.

F. FINANCING THE EXPANSION

The expansion could not have been accomplished without very extensive borrowing. As explained later, the only source of credit in essential amounts and for this purpose was government, chiefly federal government.

Lending for this purpose was a new venture for government and borrowing heavily for this purpose was a new venture for the educational system. The post-war housing program furnished something of a model for the later college-financing program.

The end of World War II released almost 16,000,000 men and women into a civilian world already short of housing. Some returning veterans were married and returned to homes previously established. Others were unmarried and the biggest marriage boom in American history followed.

Emergency housing plans for veterans had been made before demobilization and were put into effect with dispatch, the largest being the so-called "608 Program,"[6] which insured loans by private investors. Amounts were based on average costs rather than on market values, and costs were generously computed so that the average builder could complete a 608 project with little front-end investment. A streamlined builder could have a cash profit plus the building the moment he closed the mortgage.

The housing program demonstrated that manipulation of credit could get things built in jig time. As early as 1946 the federal government realized that the college plant was grossly unequal to the demands about to be put upon it, and took steps to encourage educational expansion. The veterans had generous educational allowances, and the initial concern was that they not be turned away for want of room.

Demographic studies showed that the "veterans' bulge" was only an advance seismic shock of what was to come when the "war babies" hit the campuses. Manipulation of mortgage credit had encouraged contractors to build housing and the feeling was that similar legislation would encourage colleges to expand.

Initial debate occurred over the relation of public and independent colleges and, more significantly, the relation of church and state. A senate report of 1946 said:

> Your committee has carefully considered the justification for extending this (federal) aid to private - as well as to public institutions. By and large our private institutions of higher learning are non-profit and semi-public in character.[7]

By 1950 the nation had a massive federal college lending program[8] with benefits available equally to the public and the independent sectors. By 1972 fifteen independents had long-term debt of $119,000,000. During the next five years substantial amortization was paid, but the total principal grew to $136,000,000 by 1978.

The public sector also borrowed heavily. The state of Connecticut, using full faith and credit bonds, borrowed about $418,000,000 to finance the expansion of the state colleges and the university, the medical school, and the community and technical colleges.[9] The total independent and public debt for higher education in Connecticut was in 1978 over half a billion dollars.

The state borrowing covered a long period and interest rates fluctuated throughout; but most of it occurred early enough to escape the astronomical rates of the seventies. If the rate on the state debt averages 4½ percent (a reasonable guess, but no more than a guess in the absence of data) the interest cost would be about $18,750,000 per year, and total cost including debt retirement about $25,000,000.

Up to 1970 the public institutions increased from about 8,800 students to about 48,800, an expansion of 40,000. The borrowing cost of this expansion was $418,000,000 and amounted to $10,500 ($418,000,000/40,000) per added full-time student space. The independent sector increased from about 10,000 to 29,000, a factor of 19,000 added full-time students at a borrowing cost of $136,000,000 or $7,100 ($136,000,000/19,000) per added full-time student space. After 1970 there was relatively little borrowing for expansion. Direct comparison is confused by many factors, but it is strongly suggested that it cost the independent sector less than the public.

G. TWO DECADES OF FISCAL EUPHORIA - 1955 - 1975 - AND THE RUDE AWAKENING

College presidents are not congenital optimists. They know that an indeterminate number of things can go wrong, and that in any particular year quite a few of them will. Without the federal loan and grant programs which began about 1950 and continued into the 1970's, no expansion could have taken place like that which did. Private philanthropy could never have raised the money, especially when it is realized that most of the money for new construction went to relatively unknown institutions either just expanding or just starting out. The federal programs brought money to the campus in amounts hitherto known only in the dreams of administrators. By the year 2000, a retrospective look may or may not suggest that all this was an educational blessing. Meanwhile, college financial officers were laughing all the way to the bank amid an uncharacteristic atmosphere of fiscal optimism.

This optimism was as contagious as it was unusual. It swept the campuses like an epidemic of measles, and the colleges which were not involved in some expansion were quite exceptional. The reversal of

events which brought an end to the fast rise in student numbers and cast the clear shadow of contracting enrollments and falling annual revenues struck like the blazing sun of early morning upon the celebrant who has spent the prior evening in excessively exuberant indulgence. In less elegant language, they awoke to a bad hangover after a prolonged financial spree.

The heavily debt leveraged colleges felt the impact first. Nothing like this had happened in 20 years and few administrators could remember the last time. Here and there a grizzled veteran survived to spread a little extra gloom based on melancholy (if lurid) recollections of the 1930's. Cries of outrage and anguish were widely heard as collegiate debt began to crumble at the edges. Private creditors were not quite sure what to do next. The two federal departments involved, after a period of uncertainty, found themselves busy with delinquent borrowers.

The collection problem is discussed later. Several colleges went out of business or merged. The fourth decade from 1975 to 1985 is too young at this writing to permit much generalizing, but retrenchment seems to be the prevailing mood. Growth realizations remain below predictions in Connecticut. Had growth continued until about 1980, enough progress would have been made with the debt so that few institutions would have been troubled. As things turned out, about one independent institution in ten nationally has had to tighten the belt uncomfortably and financial tragedy stalks perhaps a third of that number.

As for general campus attitudes, the optimism which had hovered like a perfumed mist over the groves from about 1950 to about 1970 dissipated and was replaced by inspissated financial gloom as thick as a pea-soup Los Angeles smog.

Notes

1. RESOLUTION REQUESTING THE TRUSTEES OF THE UNIVERSITY OF CONNECTICUT AND THE STATE BOARD OF EDUCATION TO STUDY THE PROBLEM OF POST-SECONDARY EDUCATION.

   Resolved by this Assembly: That the General Assembly notes with approval the cooperation between the Trustees of the University of Connecticut and the State Board of Education in determining their respective programs;

   That these boards are now requested to furnish leadership in education by addressing themselves jointly to the state's problem of the present and approaching need of more facilities for training on the college level;

   That these boards are further requested (1) to study present facilities for higher education in the state, giving particular attention to minimizing duplication of existing and proposed services; (2) to take into consideration the role of private institutions and the need of maintaining and improving the quality of education; (3) to draw on the experience and judgment of both public and private school administrators and of both lay and professional persons; (4) to report the joint findings of the boards to the next regular session of the General Assembly with recommendations for a long term plan of development of post-secondary instruction.

   House Joint Resolution No. 123
   Regular Session of 1955

   (From: "A Study of the Problems Confronting Higher Education in Connecticut," a Report to the General Assembly, State Board of Education and Board of Trustees, University of Connecticut, January, 1957)

2. Several prominent educators made statements. President Pusey of Harvard:

   > Many thoughtful people are speaking out against further expansion of higher education in America. The assumption that there are too many young people in our colleges seems to me to be both futile and wrong.

   Dean Lawrence Chamberlain of Columbia announced a limited program of expansion and told the alumni that private institutions must share with public colleges the responsibility for coping with large

numbers of applicants. President Rosemary Park of Connecticut College likewise expressed concern for the responsibilities of private colleges.

On the other hand, President Griswold of Yale said that the institution simply could not and would not expand, and instead announced increased admissions standards. President Butterfield of Wesleyan warned that colleges could not expand, "Without an inevitable cheapening of quality." President Jacobs of Trinity said, "It is our present thinking that Trinity will render the most effective service by remaining at approximately its present size."

President Cole of Amherst said, "In 1965, 70 percent more students will be seeking admission to American colleges than in 1955. We can possibly create classrooms, laboratories and dormitories, and print books, but we cannot possibly train enough teachers in nine years. We will face a tremendous shortage. We will be driven to use movies, television, radio, tape recordings - all valuable, but no substitute for man-made interchange.

President Benjamin Wright of Smith College said, "To talk of a liberal college education for all, or for half, of those from 17 to 22 is sentimental and dangerous nonsense."

3. Community colleges first reported students on the following dates: Asnuntuck 1972, Greater Hartford 1967, Housatonic 1967, Manchester 1963, starting as a locally sponsored institution and becoming a state community college in 1965, Mattatuck 1967, Middlesex 1968, having started as a branch of Manchester in 1966 and becoming independent a couple of years later, Mohegan 1970, Northwestern 1965, Norwalk 1961, having started as a municipal institution and shifting to the state system in 1965, Quinebaug Valley 1971, South Central 1968, and Tunxis 1970.

4. The fifth branch of the State University, in Stamford, offers a four-year program and, hence, is not counted in the above tabulation.

5. The public institutions of Connecticut distinguished between tuition and fees, the former going into the state general fund and the latter remaining in the college system. Students did not care; to them it was all money paid out.

6. Section 608 of Title VI of National Housing Act, May 26, 1942. Veterans Emergency Housing Act of 1946 - Chapter 268, Public Law 388.

   The Prudential Insurance Company financed more 608's than any other lending institution and the present writer, then a junior mortgage loan officer of Prudential, was intimately involved with the program from its inception until about 1950.

7. Senate Committee on Education and Labor, Senate Report No. 1666, July 5, 1946.

8. Housing Act of 1950, Title IV, Housing for Educational Institutions. See also Federal Code Annotated, Title 12 - Banks and Banking, Chapter 13, National Housing &1749. (The Bobbs-Merrill Company, Indianapolis)

9. Public borrowing in Connecticut goes through three stages. First, the legislature authorizes the bonding. The total legislative authorization is in the order of $590,000,000 since 1960. Then the matter passes to the hands of the State Bonding Commission which allots funds to Public Works to prepare plans and obtain bids. So far, the Bonding Commission has allotted $439,000,000. Finally, after plans and bids are in hand, Public Works goes back to the Bonding Commission which allocates funds. So far, $418,000,000 has been allocated which is the figure used in the text.

CHAPTER II- THE BORROWING PROCESS

A. IMPORTANCE OF FEDERAL INTERVENTION

Sources of credit were limited in the early 1950's. Federal programs expanded credit opportunities during the fifties, and various state programs have since kept the door open to further borrowing. Had the government not intervened to make credit available, the independent sector could have expanded only as fast as philanthropy and bank credit would have permitted, and the public sector only as fast as it could plan and finance. Federal lending allowed literally millions of students to graduate from college who otherwise would not have. If part of the price was "over-expansion," it was, in social terms worth it.

In 1950, the predecessor agencies of the Department of Housing and Urban Development began to make direct loans. In 1955, the predecessor agencies of the Department of Health, Education, and Welfare also began to make direct loans. Each Department also subsidized interest rates on private mortgages. The period of heavy borrowing lasted until about 1970. (A listing of HUD and HEW legislation is given in Appendix F)

About the middle of this period Connecticut and several other states established state agencies to market college bonds. The credit of the state was not involved, but the device was used to assure the buyer that the bonds were exempt from income tax. This vehicle was much used in the late years of the expansion. In addition, some colleges sold bonds through private channels.

B. WAYS TO BORROW MONEY

The simplest way to borrow is a "demand loan" which the bank can "call" at its pleasure. It is written at the "going rate" and the lender can change it whenever it choses. Most colleges in Connecticut make more or less use of this type of borrowing to bridge the gap between tuition income and essential expenditure - mostly monthly payroll.

In some cases, loans designed to be short term have turned out to be anything but short, running on for years - a bad situation all around. The borrower in such cases is not protected against the caprice of fluctuating interest rates nor against a sudden unexpected "call" for repayment. Some "calls" have been triggered by an event so seemingly unrelated as a change in policy in the office of federal or state bank examiners calling on lender banks to "clean up" dubious loans or loans which had been on demand for a long time without significant reduction.

C. MORTGAGE LOANS

Banks, insurance companies, and savings and loan companies all make mortgage loans, and many colleges borrowed this way. Mortgage loans all require title searches, and this, plus other legal fees make this procedure initially more expensive than demand loans. Collateral loans require only minimal front-end load, but few institutions have collateral enough to borrow on.

Most mortgages were "constant payment" contracts. The example used in this section is a $240,000 loan contracted at 5½ percent in the mid 1960's. The debt reduces slowly at first, gradually accelerating until reduction becomes rapid in the last quarter of the loan's life. At the end of the first five years, the balance would be down to $201,000, and the monthly payment which in month one was about $1100 interest and $560 principal, would have changed in month 61 to about $925 interest and $735 principal.

All constant payment loans are more or less alike.[10] Loans at 5½ percent pay off about 1/6 of the principal in the first quarter, about 1/3 by the end of the first half, and about 2/3 by the end of the third quarter.

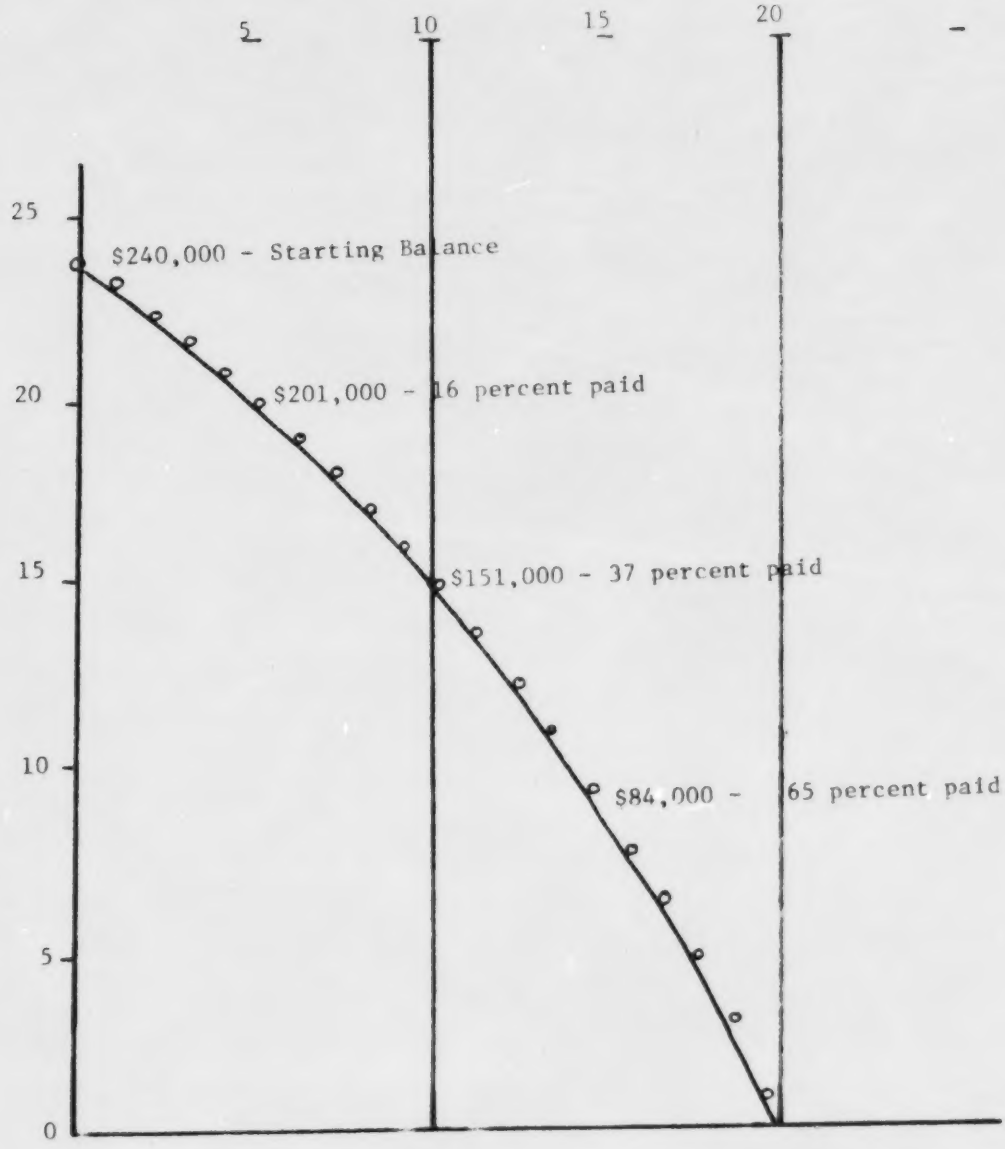
	Balance	Reduction	Cumulative Reduction
1st quarter	201,000 - 84%	39,000 - 16%	39,000 - 16%
2nd quarter	151,000 - 63	50,000 - 21	89,000 - 37
3rd quarter	84,000 - 35	67,000 - 28	156,000 - 65
4th quarter	0 - 0	84,000 - 35	240,000 -100

The reduction curve is shown on page 19.

Many government loans were made for 40 years with monthly payments about one fourth less than the 20-year loan. The longer "stretch-out" means more interest in the long run; each payment is smaller, but there are so many more of them that the total bill for interest comes to about $350,000 over 40 years instead of $156,000 over 20 years. The longer term has few advantages if the borrower can manage the larger payments of the shorter term.[11] If the borrower cannot make the larger payment, then the choice is clear.

Lending institutions share with borrowers substantial front-end costs for survey, title search, and legal fees to put a mortgage on their books, and they have to keep their money invested. They want to protect them-

TYPICAL PATTERN OF DECLINING BALANCES ON CONSTANT PAYMENT MORTGAGES. THE EXAMPLE IS A $240,000 LOAN AT 5½ PERCENT FOR A 20-YEAR TERM.



selves against a smart borrower who may negotiate a 5½ percent loan with one lender in May, and in October replace it with a 5¼ percent deal with another. For this reason, many, if not most, limit prepayment for the first years or even for the whole life of the loan. The variety of clauses knows no limit. Some common ones prohibit all non-scheduled payments for five years, or charge a penalty of 2 percent of the non-scheduled sum paid off. A good clause from the borrower's standpoint is a limitation to 10 percent of the principal per year for the first ten years, and no limitation thereafter. A lender who will not agree to a reasonable prepayment clause is not a good one to do business with.

After about ten years a mortgage can often be renegotiated to the advantage of the borrower. As the loan which has been used as an example thus far in this chapter reaches the midpoint of its term, about $150,000 of principal is left out of the $240,000 starting figure. If a new loan for $150,000 can be obtained, it stretches out the balance for 20 years more and cuts down the obligatory amortization. The process is worthwhile for the borrower so long as the combined interest and principal payments on the new loan are significantly under those on the old loan, but rising interest rates can erase the difference. The following table gives some indication of the differences:

%	Yearly Retirement Rate	Monthly Retirement Rate	Payment on $150,000	Payment on "Old" Loan	Saving Per Month
5½	.0826	.00688	$1,032	$1,651	$619
6	.0860	.00716	1,074	"	577
6½	.0895	.00746	1,119	"	532
7	.0931	.00776	1,164	"	487
7½	.0967	.00806	1,209	"	442
8	.1004	.00837	1,255	"	396
8½	.1042	.00868	1,302	"	349
9	.1080	.00900	1,350	"	301
9½	.1119	.00932	1,398	"	252
10	.1141	.00951	1,426	"	225
10½	.1182	.00985	1,477	"	174

The going rate late in 1978 was 9½ or 10 percent, and refinancing a mid-term balance would provide small savings at the cost of a heavy front-end load. If rates were to decline substantially, or if rate subsidies were obtainable, then a lot of the existing unsubsidized mortgage debt would be well worth "stretching out."

Bank financing has one important difference from direct dealings with the government. All borrowers look very much alike to Washington and to the regional executives who enforce the rules concocted at headquarters. So long as national policy is lenient, the regional administrator will be lenient; if national policy turns tough, the regional man may try to impress his superiors by being even tougher. The bank being a local institution may have a direct interest in a particular college. For example, a college may be in poor financial condition, but nevertheless, be the most nearly viable enterprise in a small town, and a local banker may try to keep the college afloat out of self-interest. If the college is forced to close, then other properties on which the bank has substantial debt may collapse, domino fashion. For this reason, local banks sometimes withhold action. Sometimes they forbear too long and move only when the situation is hopeless. Sometimes they will go to great ends to save a tottering local college, and consolidate a conglomeration of commercial debt into some kind of arrangement the college can manage.

D. FINANCING THROUGH THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND THE DEPARTMENT OF HEALTH, EDUCATION AND WELFARE (HEW)

Key legislation was enacted in 1950 to permit direct loans from the Administrator of the Housing Agency (later from the Secretary of Housing and Urban Development). About five years later the predecessor agencies of the Department of Health, Education and Welfare were also authorized to make loans. HUD loans were permitted for dormitories, but not for classrooms or laboratories. HEW loans were permitted on any non-religious buildings.

The borrower had to be unable to obtain equivalent terms in the commercial loan market, and the building had to be economical and without such frills and embellishments as characterized much college construction in the 1920's.

Interest rates on loans in Connecticut varied from 2.75 to a high of 3 3/4 percent in 1964, 1965, and 1966. Throughout the period commercial mortgage rates were higher, ranging from 4½ percent to 6 percent.

The colleges could obtain "full development cost," but had to pay "prevailing wage scales," which is a euphemism for union wages. The mechanics of borrowing on real estate were similar to a commercial mortgage, but some loans under this program were secured by stocks and bonds in the institution's endowment portfolio. Real estate was usually mortgaged to a trustee bank which performed many "middle-man" functions.

Both HUD and HEW handled most transactions as bond issues rather than as simple mortgages, the main difference being that the bond issue took more legal time and cost more than a simple mortgage.

Neither HUD nor HEW loans were eligible for refinancing at the time this was written, and anyway the low rates could not be duplicated in the 1970's. A possible palliative for the problem of college debt in the 1980's, when enrollment will decline, would be a government refinancing program, stretching out the balances over new 40-year terms. Such a program could duplicate the old rates, and payments on the recast loans would be down by about a third.

E. THE HOUSING PROGRAM

The dormitory loan program did more to change the complexion of independent higher education in Connecticut than anything that happened since Yale was founded in 1701. Yale, Trinity, Wesleyan, and Connecticut College had long had dormitory systems to accommodate considerable numbers of non-local students. The Catholic institutions, Fairfield, Sacred Heart, St. Joseph, Albertus Magnus, and Annhurst, either had no dormitories at all or else small ones. Bridgeport had very meagre facilities; New Haven, Hartford, and Quinnipiac had none. Hartford had, in fact, been established as a "trolley car" university to serve strictly local needs.

Tuition-dependent institutions were forced to build dormitories when the state established the tax-supported community colleges, added dormitories to the state colleges and built a huge dormitory plant at the University of Connecticut. Tuition-dependent colleges began to build dormitories in the late 1950's. The prospect of looming inflation was a factor. Loans contracted in 1958 or 1960 dollars would be repaid in the baser coinage of inflation. An apparently inexhaustible number of students was another. Public pressure to expand was a third.

The level of national affluence was rising and more students could afford "to go away to college," and this became something of a national puberty rite. Dormitory systems made it possible for Connecticut students to live on campus without going very far, and enable these institutions to participate in the out-of-state market from which they had previously been excluded. Greater New York, despite a large number of local colleges, was a heavy exporter of students, and Connecticut provided admirably for their needs. It was not far away - just far enough to sever the direct family tie. It provided an atmosphere considerably quieter than the metropolitan hustle and bustle, and its tuition-dependent institutions were, by national standards, comparatively inexpensive.

Altogether 13 independent Connecticut colleges and universities borrowed from the government through the Department of Housing and Urban Development, almost all for dormitories. The largest borrowing was $12,478,000, and the smallest was $495,000. The first loan was in 1958 and the last in 1970. Seven institutions had a single loan each, six made a second trip to the well. One made four separate loans and another eight.

In the stormy 1960's, rebellious students avoided dormitories and sought living quarters in the cities. Several colleges were worried about their ability to maintain occupancy. They had made separate promises to the Department of Housing and Urban Development, the Department of Health, Education and Welfare, and the Connecticut Health and Educational Facilities Authority to keep the dorms filled, and they wondered how to distribute students to occasion the least criticism from lenders. The off-campus trend reversed itself in the early 1970's, partly because charges for dorm space built a decade earlier were below comparable rents in town, partly because street crime made off-campus living less agreeable, and partly because campus living once again became attractive. Several institutions were short of space and rented in town, bussing students back and forth. On the other hand, three institutions overbuilt and either had to close a dormitory entirely or else convert it to other uses.

Dormitory design, hardly the subject of this monograph, intrudes in the discussion of debt, because the well-designed and well-located systems remained full and those somewhat less well designed or located in less agreeable surroundings had trouble in maintaining occupancy. Some dormitories were designed to be convertible to apartments for commercial rental, if student demand fell off. Most independent colleges of Connecticut were located either in or adjacent to metropolitan centers where good apartment space was in fairly steady demand. To the date of this writing, no dormitories have been converted to apartments. Rather, the net conversion has gone the other way, and some old apartment houses have been converted to dormitories.

F. HEALTH, EDUCATION, AND WELFARE PROGRAM

Connecticut institutions borrowed about $39,000,000 from HUD and obtained about $38,000,000 from HEW in grants, income subsidies, and loans.

Students coming to the tuition-dependent institutions, after dormitories began to be available, wanted Ivy-flavored education, but fell short of Ivy-League admissions standards. Tuition-dependent institutions provided it. The independents learned to provide an Ivy flavor as quickly

as they learned other lessons. The old Ivy Leaguers could not themselves expand much without losing this flavor and tuition-dependents, far from forsaking their birthright, simply shifted from one service area to another of equal or perhaps greater national importance.

The program of Health, Education and Welfare supplemented the housing program with other urgently needed facilities. Most of the money obtained from HEW went for classroom buildings, laboratories, and libraries, although some went to additional housing.

Nine tuition-dependents borrowed a total of $9,560,000 from the Department of Health, Education, and Welfare. In addition, HEW had an interest program similar to that which HUD had. The direct loan program of HEW was smaller, but the interest program was larger than that of HUD. Seven institutions used the interest support program and borrowed a total of $21,041,000. The remaining $7,500,000 was part of the grants program.

The four endowed Ivy-League institutions borrowed a total of $17,713,000. The Ivy League can handle almost any amount of debt, partly because of endowment and partly by virtue of their prestige, which can attract students regardless of the number seeking higher education.[12]

The federal government was not an ordinary creditor dealing at arms' length. It had taken the initiative to persuade the colleges to borrow money to expand to meet what the Congress perceived as a national emergency. The clarity of the Congressional statement cannot be doubted in the light of Senate report #1666 and the Preamble to Section 2 of the Higher Education Facilities Act (88 stat 204) of 1963. Past precedent has been that when government has induced groups of individuals or of institutions to take action later injurious to themselves, the government tries to help out.

The federal debt is a little less than half of the total obligation of Connecticut colleges and universities, the balance being mostly bonds issued through the Connecticut Health and Educational Facilities Authority. This is described in the next section of this chapter. Problems of delinquency, collection, and work-out differ between the two types of debt, because in the one case there is a single creditor strongly presumed to be sympathetic, and in the other a diverse group of unidentified creditors of uncertain sympathy. More is said about this in a later chapter.

G. COLLEGE FINANCING THROUGH THE CONNECTICUT AUTHORITY

A little more than half of the borrowing of the independent sector was through the Connecticut Health and Educational Facilities Authority (CHEFA),[13] which began in 1969 and has continued until the present.

The procedure follows generally the New York State dormitory bond system. The New York Bond Authority was established in 1944, and by early 1978 had sold $2,155,000,000 of bonds. Of this, $656,000,000 were for independent colleges and universities, almost eight times the corresponding Connecticut figure.

The Housing Act and the Higher Education Facilities Act cover hundreds of pages of complex prose and engendered a few more hundred equally complex pages of regulations. Compared with the federal rhetoric the Connecticut Law is simplicity itself. It says it all in 15 pages, and, wonder of legislative wonders, says it clearly. The Act includes everything, even parking lots, except religious buildings.

Most financing was by serial bonds, based on indentures like those mentioned earlier in this chapter. The borrower conveyed to the Connecticut Authority land under the proposed building which remained the property of the Authority as long as the bonds were outstanding. The Authority leased the building to the borrower for enough to cover the debt service and to build up required reserves.

The bonds were sold to the general public and were backed only by the credit of the borrower. They passed through the hands of the Connecticut Authority without either gaining or losing financial strength. What they did gain was assurance of tax exemption.[14]

The exemption put the bonds in a category where investors compared them with exempt municipal and other public offerings. The demand for tax exempts came from individuals in high personal income brackets and some institutional investors. With inflation constantly increasing individual dollar incomes, and with the federal income tax taking a larger share with every increase, the exemption feature came to mean more and more to more and more high-income persons. Prices of these bonds were held down and rates forced up by a sluggish market. They did sell and resell, but no bond house in Connecticut made a secondary market, and after the issue was first placed, it took time to trade either way.

The rates on the Authority bonds can be compared, albeit crudely, with AAA Municipal rates.

July 1, 1966	4.97 Authority	3.80 AAA Tax-Exempt	1.17 Differential
July 1, 1968	5.99	4.70	1.29
July 1, 1972	5.44	4.80	0.64
July 1, 1976	5.34	5.00	0.34

The rates on Authority bonds were obviously higher than top quality municipals and the variation in the differential depended on who was borrowing at the time. Hospitals, also eligible to borrow through CHEFA, paid about a percentage point more than the colleges.

Five issues were handled through the Authority to mid-1977 which involved colleges and universities in the total amount of $85,700,000. Two institutions got an excellent rate, around ½ of 1 percent over AAA. Two others paid at least a percentage point over, and one paid almost 2 percent over.

The financially weaker tuition-dependents would undoubtedly have made more use of Connecticut Authority financing, if they could have obtained better rates. Two issues, one for $7,500,000 and one for $8,413,000, received interest supplement grants through the Higher Education Facilities Act.

H. THE RESALE AND RATING OF COLLEGIATE BONDS

Most investors have realized from the beginning that college bonds were among the riskier elements in their portfolio, and they were bought either by (a) loyal alumni(ae) who did it as an obligation; (b) philanthropic individuals or corporations as much interested in preserving the college as in the investment return; and (c) cold-blooded buyers interested in high-rate, tax-exempt bonds, and willing to take the risks. A rate of 6½ percent on a tax-exempt bond would be equivalent to 13 percent for a taxpayer in the 50 percent bracket, and inflation has put a considerable number of individuals in that bracket who were a few years ago happily in lower brackets.

Individual issues have all been small by bond standards, and hence were long in attracting the attention of rating groups. New York has more college housing bonds out than any other state and the volume of bonds was sufficient to encourage a bond house, the First Albany Corporation,[15] to undertake a careful study, rate the bonds, and make a limited secondary market. The poorest ratings have gone to small

struggling colleges in locations not easily adaptable to other purposes. Better ratings have been awarded to colleges deemed more solvent on the basis of their audited annual statements. Good ratings have also been awarded to some nearly moribund colleges which happen to have campuses adaptable to housing projects or to industry, and which have some buildings with some salvage value on the commercial market, such as dormitories that could be inexpensively turned into apartment houses.

In the commercial field, certain brokers "make a market" for certain types of securities. Frequently a broker could not execute a small order "on the floor" unless some brokerage house "made a market." Such brokers buy and sell on the floor or over the counter and supply buyers who want odd amounts of some security or other. Bond trading is usually done this way, after the initial placement of the issue. Bond houses trade as principal rather than as broker, and a daily "blue list" is circulated cataloguing who has what and what price is asked. The bulk of the trading in corporate stock and bonds has recently been by large investors - pension funds, mutual investment companies, insurance companies, and banks. The small investor is a nuisance, and can buy and sell only through the houses that "make a market" for whatever security is in trade.

So far, in most states and until very recently in New York, no house has undertaken to "make a market" for college bonds. Hence, a prospective buyer had to prowl on his own to find a seller, and a seller frequently faced a blank wall. Professional salvage operators have bought up some such bonds, but their interest is purely pecuniary and their offers have been in the order of 10 points on a scale of 100. The market is remarkably subject to panic and if investors seem to be fleeing some issue, the price drops, often needlessly, close to the salvage level.

In New York, the volume of collegiate bonds finally reached a point where a bond house did make a market, and while this did not forfend an occasional panic, it did present the possibility for orderly trading. In other states, such as Connecticut, the volume of outstanding bonds was considerable and paper of well-known and solvent colleges and universities changed hands fairly often and at prices which realistically reflected the market's opinion of the solvency of the particular institution. The Connecticut trading has involved largely CHEFA bonds which have moved in fairly large blocks from one institutional investor to another.

Notes

10. Loans at higher interest rates "ripen" faster, that is slightly more is paid off in the first quarter, half and third quarter than at 5½ percent. The difference is not enough to influence borrowing decisions, but the careful collegiate money manager needs to note the pay-off rate. In terms of the "curve" (p. 19) the curve is "curvier."

11. The Financial Publishing Co. of 82 Brookline Avenue, Boston, MA 02215, provides tables which are used by many lenders to compute loan payments and other details of loans.

12. Some of these were "arbitrage" loans. If an institution could borrow at 3 percent, while earning 7 percent or 8 percent on its endowment, it made better sense to finance eligible improvements through borrowing, keeping endowment intact, and adding to it philanthropic money that tuition-dependents were putting in new buildings.

13. Chapter 179 of the General Statutes of Connecticut, revised to include Public Act No 586 enacted by the 1969 session of the Connecticut General Assembly. THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY. (Effective July 1, 1969)

    Sec 10-335 Declaration of Policy It is declared that for the benefit of the people of the state, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions, it is essential that this and future generations of youth be given the fullest opportunity to learn and to develop their intellectual and mental capacities; that it is essential that institutions of higher education within the state be provided with appropriate additional means to assist such youth in achieving the required levels of learning...(the Declaration goes on to mention hospitals and the need for them) and it is the purpose of this chapter to provide a measure of assistance....

14. "...any bonds issued under the provisions of this chapter, their transfer and the income therefrom, including any profit made on the sale thereof, shall at all times be free from taxation of every kind by the state and by the municipalities and subdivision in the state." (Sec. 10-350 supra)

15. In 1978 the address was 41 State Street, Albany, New York 12207. The First Albany issued a number of reports on the marketability of New York State authority bonds.

CHAPTER III - TROUBLE

A. DECLINING ENROLLMENTS

Many expenditure items in a college or university budget can be adjusted, albeit clumsily, to the size of the operation, but debt payments, once they are up, stay up regardless of income shrinkage. In the trouble cases in Connecticut, debt was incurred when enrollment was high and the administration expected it to go higher.

Much of the trouble was a by-product of the Vietnam War. Young men in droves tried to get into college not because they wanted to learn anything, but primarily to avoid the draft and an involuntary trip to southeast Asia. The numbers were widely misinterpreted by government and colleges alike. The number of students in high school had been correctly predicted, but during the war the high-school drop-out rate declined and the percentage going on to college increased. Each of these seemed to be following a desirable trend; the colleges rejoiced and the government kept urging them to pull down their barns and build greater. The trend of college-bound high school graduates was extrapolated to about 80 percent by the 1980's; but the college-bound percentage dropped back from about 66 percent to about 60 percent, when the draft was discontinued and the job market for college graduates deteriorated.

A second factor was the interplay between the public and independent sectors. The independents, as related earlier, were nimble on their feet and contrived space more rapidly than the publics. This was especially noticeable in the middle west, where a number of small independents had trouble accommodating students for two or three years in a row and began to think this student influx was permanent. Much of the temporary mid-western bulge consisted of eastern students who were flooding eastern tuition-dependent institutions with such numbers that the overflow reached half way across the continent.

The public sector in the east was slow abuilding, and students from the eastern seaboard went perforce west. Most had never before seen a small mid-western town and they often disliked what they found. A few eastern students remained and others have joined them, but large numbers of students from Connecticut left the western campuses as soon as the Connecticut independents expanded and the community colleges began to open; students from New York did the same at about the same time. New Jersey was the last state in the New York area to react to the student volume, and the New Jersey students were the last to disappear from the western colleges. Needless to say, the final results were financially devastating to many.

A third factor, once enrollment began to stabilize nationally, was a state of near-panic in some colleges. Seeing what was happening, some colleges sent out bounty hunters who were paid so much per head for every live student captured and brought in. This, in turn, led to "over-recruiting," using methods better adapted to the sale of under-water real estate. Many potential students were disenchanted, and the quality of students declined accordingly. As rumor followed rumor and as some colleges did close, students in similar colleges began to fear for their academic credentials, and they transferred to other institutions to finish their work and get acceptable diplomas.

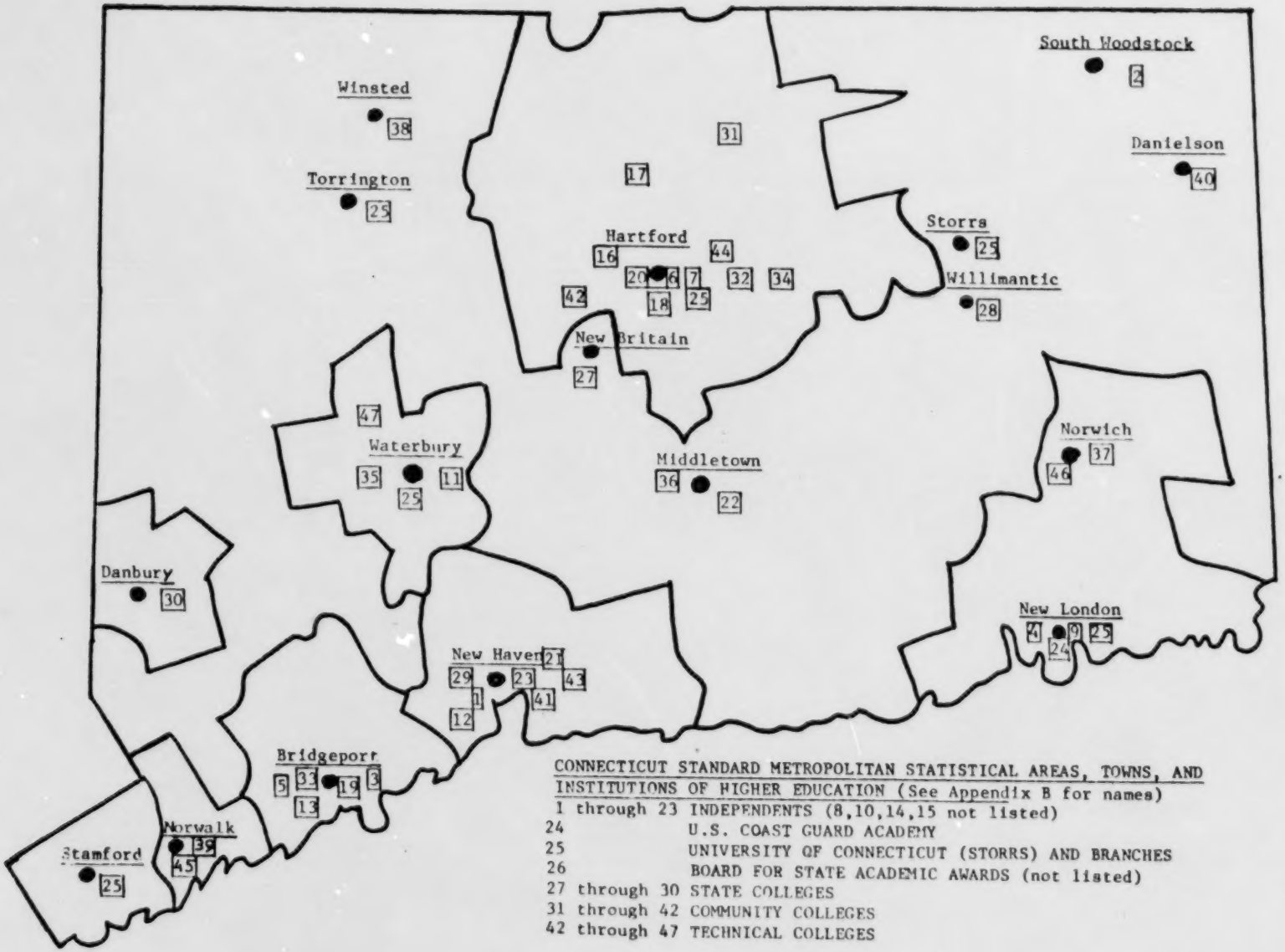
While the faster decline in the middle west seems (at least from a distance) to be fairly easy to explain, shifts within the state are next to impossible to understand.

B. GEOGRAPHY AND COMPETITION BETWEEN THE INDEPENDENT AND PUBLIC SECTORS

Conventional wisdom keeps suggesting that the public institutions had an impact on the independents, but falls short of explaining just how or just where. A study of the geography of the Connecticut educational system on the next page suggests that some contribution was doubtlessly made to the undoing of some independents, but it was not nearly as direct as once thought.

No single geographical factor seems conclusively to explain the fiscal difficulties of some independent institutions, while others, similarly located, seem to have prospered. About 24,000 full and part-time students attend the community colleges. About half seem to have been newly attracted to college; the other half come from families with college traditions. If the community college system had opened at a more modest scale, some of the clientele it serves would have found a way to attend the independent sector.

In the middle 1970's about 48,000 students were graduating annually from Connecticut high schools and about 60 percent went on to college; the percentage rose to 66 percent at the peak of the Vietnam War, then dropped back to a fairly steady 60 percent. Six percent of 48,000 means about 3,000 individuals, enough of a shortfall, even when distributed, to be felt. But any allegation that the financial plight of the independents stems primarily from the competing public college systems remains unproved.



CONNECTICUT STANDARD METROPOLITAN STATISTICAL AREAS, TOWNS, AND INSTITUTIONS OF HIGHER EDUCATION (See Appendix B for names)

1 through 23	INDEPENDENTS (8,10,14,15 not listed)
24	U.S. COAST GUARD ACADEMY
25	UNIVERSITY OF CONNECTICUT (STORRS) AND BRANCHES
26	BOARD FOR STATE ACADEMIC AWARDS (not listed)
27 through 30	STATE COLLEGES
31 through 42	COMMUNITY COLLEGES
42 through 47	TECHNICAL COLLEGES

C. UPS AND DOWNS OF INDEPENDENT INSTITUTIONS

In Connecticut the enrollment in independent colleges had marked ups and downs in the late sixties and seventies.

Full-Time Undergraduate Students

Institution	Peak Enrollment		Enrollment		
	Number	Year	76/77	78/79	
Albertus Magnus	660	1967	349	352	Low point 316, 1975
Anhurst	410	1968	274	309	Stable since 1972
Conn. College	1,670	1975	1,607	1,627	Stable since 1972
Fairfield	2,830	1978	2,705	2,830	Steady growth
Quinnipiac	2,247	1978	2,230	2,247	Steady growth
Sacred Heart	1,771	1968	1,119	1,180	Steady decline to 1976
St. Joseph	657	1978	630	657	Steady growth
Trinity	1,682	1976	1,682	1,642	Steady growth to 1976
Bridgeport	4,575	1967	3,342	3,294	Steady decline
Hartford	3,937	1978	3,688	3,937	Steady growth
New Haven	2,468	1971	2,465	2,399	Stable since 1971
Wesleyan	2,503	1978	2,351	2,503	Steady growth
Yale	5,231	1978	5,231	5,231	Steady slow growth
Hartford College for Women	190	1970	168	152	Steady slow decline
Mitchell	772	1967	353	438	Steady decline to 1976
Post	891	1976	891	821	Steady growth, became 4 yr. inst. in 1976
TOTAL INDEPENDENT			27,783	29,107	Slow growth in late 70's

Four of 13 Connecticut's independent four-year colleges lost full-time undergraduates. Nine remained stable or grew. Of three two-year independent colleges, one lost students, one stabilized and started to gain, and one changed from two to four years.

Six institutions declined from peaks of the 1960's to 1976; of these four resumed a slow growth between 1976 and 1978.

Full-Time Undergraduate Enrollment

	Peak	Year	1976	1978	Decrease Peak to 1976	Percent	
Albertus Magnus	660	1967	349	352	311	47%	Cath.women, urban
Annhurst	410	1968	274	309	136	33	Cath.women, rural
Sacred Heart	1,771	1968	1,119	1,180	652	36	Cath.coed, urban
Bridgeport	4,575	1962	3,342	3,294	1,233	27	Non-sec,coed,urban
Hartford College for Women	190	1970	168	152	22	11	Non-sec,women,urban
Mitchell	772	1967	353	438	419	54	Non-sec,coed, urban

Two four-year colleges remained stable:

Connecticut College	Ivy League, coed in 1976, formerly women, urban, non-sectarian, ½ percent change since 1972
Univ. of New Haven	urban, coed, tuition-dependent, non-sectarian, 1/10 percent change since 1972

Eight independent colleges and universities continued to grow albeit at a slower rate than in the decade of the 1960's:

Fairfield	Jesuit, coed, suburban, 75 percent growth since 1972
St. Joseph	Catholic, urban, 16 percent growth
Quinnipiac	Non-sectarian, coed, suburban, 32 percent growth
Hartford	Non-sectarian, urban, coed, 64 percent growth
Trinity	Ivy League, urban, coed, 43 percent growth
Wesleyan,	Ivy League, small city, coed, 73 percent growth
Yale	Ivy League, great national research center 27 percent growth
Post	Non-sectarian, coed, small city, grew by a factor of almost six times, fastest in the state

Quinnipiac, Fairfield, and Sacred Heart were suburban. Annhurst was the only really rural independent institution in the state. Three of the six which lost enrollment were Catholic, and three were not. None of the former all-male colleges survived as such, but all "went coed." Four women's colleges remained female, and of these three declined and one grew. Of the four Ivy-League-type institutions three grew considerably and the fourth (Connecticut College) remained stable after 1972.

The foregoing record defies generalization, and the conventional cliches thought to explain enrollment decline one by one are disproved by the fact. Some Catholic church institutions declined; others prospered. Some all-female institutions declined, others prospered. Some inaccessible institutions declined, but so did some with seemingly prime location. Obviously the search for causes is difficult, especially when working with a relatively small number of institutions.

D. INTERNAL PROBLEMS - FACULTY AND OTHERWISE

Some college and university administrations got into difficulties with their own faculties. The reaction of some faculties to declining student demand and shrinking budgets was to unionize. Union pressure to maintain faculty size and pay increases has forced a number of public colleges to go, hat in hand, to the legislature. Strikes against public colleges generally were successful up to about 1976. Starting in 1976, when the taxpayers began to rise in their wrath and refuse to pay higher state and local taxes, strikes became exercises in frustration in which tempers were lost and little was gained. The taxpayers' revolt has not, even in 1978, deeply penetrated the well-insulated thinking of some federal bureaucrats or some union leaders, but it seems very likely it will do so, probably painfully.

In the public sector, up to the point of taxpayers' revolt, many unions got what they went after. In the independent sector, union pressure can bankrupt any college or university selected as a target. This was demonstrated more than once in the middle west. No union can get more out of an independent institution than was there to begin with.

A disgruntled faculty is bound to share its sentiments with the student body. Disgruntled students go home and spread the gloomy word among others who might otherwise seek admission. Gloom spreads quickly and is exaggerated easily. For this reason, if for no other, it is important that all elements of an endangered college pull together. Some seemingly desperate cases were salvaged by the joint efforts of faculty and management; some quite sound institutions (not in Connecticut) were wrecked by needless controversy. Faculty morale is vital and an uninformed faculty tends to have low morale.

One rule which is beginning to emerge is that most prospering colleges had better relations with their faculties than those which were in trouble. If the faculty is comfortable that they are getting all they can and that funds are being equitably distributed with no large top salaries, they can help in amazing ways. Otherwise, their power to obstruct is incomprehensible to an outsider.

Many college presidents made it their business to keep faculties as fully informed as possible. Many have seated faculty on their governing board with full voting powers. They are usually elected to their seats by their colleagues, a process that is partly symbolic, but importantly so. A report back from a trustee meeting from a faculty member elected by his colleagues has substantially more credibility than an identical report from the president. The contrary argument has been that faculty and students have interests antagonistic to each other, whereas the trustees can take a broad, comprehensive view.

Secondly, the institutions should have financial statements that can be understood by any diligent layman and arrange to have a person in the treasurer's office who can explain and is willing to do so. If the faculty feels that it has full access to information and that the institution is levelling with it, the willingness to compromise goes up remarkably and the disposition to obstruct goes down.

E. INFLATION, DELAYED RETIREMENT, AND REDUCED ENROLLMENTS.

College financing in the next decade will be complicated beyond the point of easy unscrambling by the virtual certainty of inflation, by the new federal legislation setting 70 as a retirement age, and Connecticut legislation entirely prohibiting mandatory retirement. The course of inflation is unpredictable. War or depression can affect it crucially as well as the election of an extreme "welfare" government or, on the contrary, an extremely conservative one. The precise shape of retirement rules is still indeterminate, but colleges are wise to assume that in Connecticut mandatory retirement for age is a thing of the past.

Enrollments are expected to drop in the 1980's and early 1990's. The public colleges will probably redouble their exertions to maintain their appropriations. The independent sector will be challenged to retain the 2+ percent of the public education expenditures which they now find an important source of funds.[16] This is just a minor added complication.

Full-time equivalent enrollment is expected to drop during the late 1980's to about 80 percent of the present level, and by 1995 it is projected to go down to about 76 percent. The decline will be more severe for institutions heavily dependent on full-time enrollment, i.e., public and private four-year colleges. Three or four chairs out of ten, warm, occupied, and revenue paying in 1978 may well be cold and empty by the 1990's. Competition for students will be fierce. An institution can fare better than the average only by some reshuffle of clientele within the shrinking market, or by penetrating new markets such as adult education. The size of this market is another unknown.

Were declining student numbers the whole problem, the colleges could deal with it by judiciously reducing staff. Unhappily, it is not the whole problem nor even quite half of it; the rest is inflation and the new rules on retirement. Since inflation is unpredictable, any advance planning must rest on assumptions. Any assumed rate of inflation can be balanced against the decline of student numbers and woven into a forecast, but the result is loaded with "ifs."

In 1978, salaries consumed about two thirds of the budgets of tuition-dependent colleges. Staff cost is crucial. A number of presidents made plans a few years ago counting on retirements scheduled to occur in the late 1970's and early 1980's. This would have helped a numerical shrinkage and would also have changed the age mix, with perhaps two young and relatively inexpensive faculty coming in to replace three older and relatively expensive senior members. The legislation on retirement will certainly affect these plans, perhaps crucially.

Formal contract tenure, although it will continue to be an issue, has already lost some practical significance. Tenure has been superseded to some extent by legislative and judicial mandates about dismissal and retirement. While mandatory retirement for age has been outlawed, no faculty or staff member has managed to live forever, although administrators sometimes think some faculty members will closely approach this elusive goal. Even if the colleges cannot force faculty members to retire, the grim reaper will eventually do the job. Colleges can reduce faculty cost by eliminating whole departments, but this does not solve the the problem of the individual full professor in a needed department who holds on, blocking younger associates and keeping costs high.

Life insurance tables in current use show that out of 1,000 insured lives age 55, about 72 percent will survive to age 75. Teachers generally live longer than persons in other professions and women outlive men. Even so, some will seek voluntary retirement for the sake of leisure and others will succumb to fevers, chills, and other ills. Out of 720 survivors to age 75, by no means all will remain active and on the job.

Inflation will affect voluntary retirement. Pensions funded through TIAA and CREF are reasonably deflation-proof, but are vulnerable to inflation. They are based, unlike industrial and many public pensions, not on the last five years' earnings, but on the whole career, and since much of the career of those now approaching 65 and 70 was spent in the academic community at salaries which today seem absurdly small, the pension is scaled down accordingly. Hence, instead of retiring on two thirds of final salary or some such figure, teachers retiring in the near future may do so at one third or even one fourth of final salary,

and go into an inflation-dominated world where the cost even of genteel poverty stretches the pension. This is no encouragement to retire before it becomes necessary; on the contrary, it constitutes a strong motive not to retire, but to hang on as long as possible.[17]

Public officials keep emphasizing that colleges should set up procedures to evaluate faculty and force retirement where justified on the basis of declining capacity to do the job. Colleges are reluctant to undertake this, especially with old and frequently much beloved colleagues who are slowly failing.

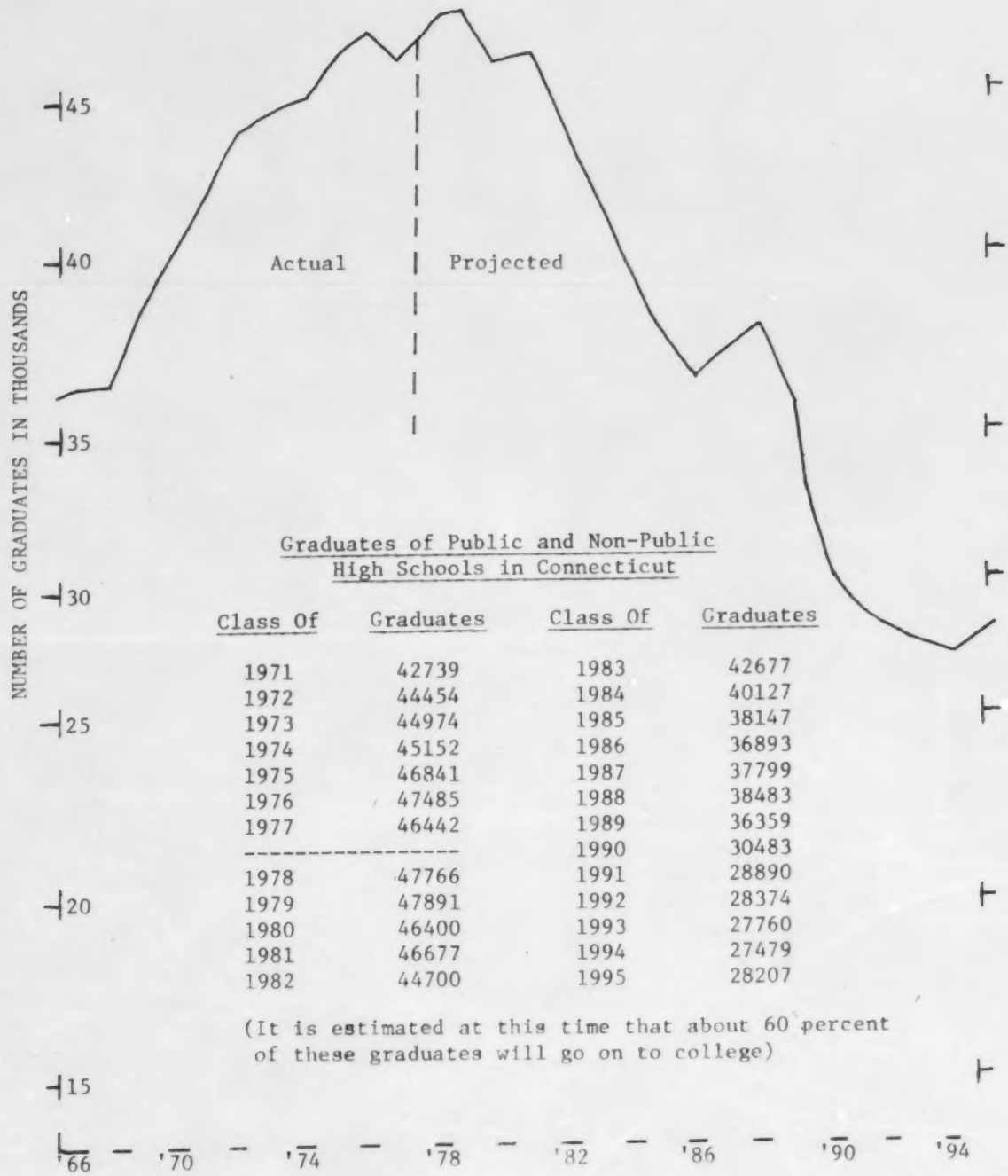
A simplistic conclusion is that faculties will be older under the new rules. Pruning from the top by retirement can simultaneously reduce numbers and cut costs by replacing three professors with two instructors, but pruning from the bottom is a different game. A professor costs about 2½ times as much as an instructor. To cut salary cost, the college would have to fire more than 2½ instructors in order to retain one "over-age" professor. Many colleges do not have enough young faculty to fire, and if they fired enough to keep the cost down, the numerical shrinkage would have a devastating effect on the teaching program. Some very careful planning in the early 1980's will be required, if a college is to hit the real slump of the 1990's with its salary cost at anything like two thirds of its budget, and still give active teachers regular raises to permit them to survive inflation.

F. THE COMING DECLINE IN FULL-TIME STUDENT ENROLLMENT

A study by Joseph Froomkin et als., entitled "The demand for facilities in the post-secondary sector 1975-1990," commenting on the forecasts of the United States Office of Education contains the statement, "In 1972 and 1973 the complacency of forecasters...was...shattered.[18]

In these years the forecasting methods which had served well in the 1950's and 1960's proved wanting. The percentage of high school graduates enrolling in college dropped both nationally and in Connecticut, although Connecticut percentages remained higher than the national figures. No data exist on which to forecast the percentage of future high school graduates who will enroll. Presumptions vary from stability at the 1978 percentage (about 60 percent) to about 10 percent up and down. The number of individuals enrolling in non-degree courses will probably rise above the 1978 level, but it is dangerous to project this trend very far.

The high schools certainly will graduate far fewer students in the 1980's. Birth rates 18 years previously were down drastically and high school graduations follow this demographic line. In 1978 about 48,000 men and



Graduates of Public and Non-Public High Schools in Connecticut

Class Of	Graduates	Class Of	Graduates
1971	42739	1983	42677
1972	44454	1984	40127
1973	44974	1985	38147
1974	45152	1986	36893
1975	46841	1987	37799
1976	47485	1988	38483
1977	46442	1989	36359
----------	----------	1990	30483
1978	47766	1991	28890
1979	47891	1992	28374
1980	46400	1993	27760
1981	46677	1994	27479
1982	44700	1995	28207

(It is estimated at this time that about 60 percent of these graduates will go on to college)

women graduated from Connecticut high schools. This will rise slightly in 1979, drop back to 46,500 in 1980, and rise slightly again in 1981. Then, the figure starts to decline to 1986, when it will be about 37,000 - 11,000 or 23 percent down from the 48,000 level. The number will recover a little in 1987 and 1988 and then plunge to 28,000 by 1992. The latter figure is 20,000 or 42 percent less than the 48,000 level.(p. 38)

The distribution of students among colleges and universities is also unpredictable. It seems likely that the Ivy League will continue to hold its numbers and thus command a slightly larger share of the market, but the number of Ivy League students is not large enough to affect the market crucially. The great question of the future after about 1982 lies between tuition-dependent colleges of the private sector and the public sector. In 1977 the independents gained over their 1976 record, and 1978 was better than 1977. In each of these two years the public institutions lost some ground. This experience suggests that in the proper circumstances the tuition-dependents can compete effectively with the publics.

G. JUST HOW BAD WILL THE TROUBLE BE?

A quick answer to the question which forms the title of this section is that things will be worse than widely foreseen. Mathematical simulations in 1978 can test assumptions for any year up to about 1996 (1978 + 18 constant lead time). By 1982 predictions can extend to the year 2000. The simulations are not cheerful.

All models depend heavily on the birth rate in the "lead years," which can be translated into prospective college enrollments by means of fairly stable linkages. The percentage of new babies who will appear in kindergarten is predictable as is the attrition from death and illness. Drop-out and out-migration are less solidly predictable, but have recently been fairly stable.[19] In the model presented the linkages are based on five-year averages, 1973 to 1978. The prospective migration is uncertain and must be guessed at; the model uses a figure of 0.26 annual growth. This is a federal forecast for Connecticut in the 1980's, and is in rather stark contrast with the national figure of nearly 1.0 percent per year.

Part-time students are generally ten or so years older than the traditional full-time students. Whereas the number of full-time students is expected to decline, the number of part-time students might increase by the projected rate of 0.26 percent per year.

Some light appears at the end of the tunnel; the national birth rate is expected to rise about 10 percent during the decade of the 1980's, and this will be reflected in college enrollments after the year 2000. Meanwhile, the problems will be serious, as the model on page 41 shows.

About 22,900 freshmen will enter college in 1985, and the table below estimates the college population of "regular" full-time students in that year and in 1995. Of 100 new freshmen about 70 survive to become sophomores, 60 become juniors, and 55 become graduates. About 5 "transfer in."

	Year of Entry	Entrants	Factor	In College-1985
Seniors	1982	26,500	0.55	14,575
Juniors	1983	25,500	0.60	15,300
Sophomores	1984	24,000	0.70	16,800
Freshmen	1985	22,900	1.00	22,900
Transfers	1982/83/84 Average	25,300	0.05	1,265
1985 Forecast of Full-Time Students				70,840

	Year of Entry	Entrants	Factor	In College-1995
Seniors	1992	17,000	0.55	9,350
Juniors	1993	16,700	0.60	10,000
Sophomores	1994	16,500	0.70	11,500
Freshmen	1995	16,900	1.00	16,900
Transfers	1992/93/94 Averages	16,700	0.05	835
1995 Forecast of Full-Time Students				48,585

Care must be taken to avoid inferring too much from predictive models. They are extremely useful in simulating what will happen under the assumptions that are part of the model. Many assumptions must be reviewed regularly if a model is used to assist a particular institution with its planning. The particular model used in this section is based on a 10 percent per year rate of inflation. Should inflation happily be less or should it disappear entirely, the problems disclosed by the model would not disappear. The following relationships would, with the sole exception of debt service, be almost identical under any assumptions as to inflation:

Simplified model of a hypothetical college with 4000 full-time students in 1978 assuming (1) 10 percent annual inflation and (2) costs not reduced from 1978 scale of operation.

	1978	1985	1995
1. Full-time students*	4000	3760	2600
2. Part-time students (annual growth rate 0.26 percent)**	1000	1018	1044
3. TOTAL FTE (1+2)	5000	4778	3644
4. Inflation rate from 1978	Base	1.95	5.06
5. Tuition paid (median rate for 1978 $3000 per student)	$15,000,000	$27,950,000	$55,300,000
6. Other income (gifts, etc.) 10% of #7	$ 1,670,000	$ 3,110,000	$ 6,140,000
7. TOTAL INCOME	$16,670,000	$31,060,000	$61,440,000
8. Staff salaries-2/3 of 1978 income, 1978 salary figure translated to 1985 and 1995	$11,110,000	$21,670,000	$56,220,000
9. Non-salary items translated to 1985 and 1995-1/3 1978 income:			
a. debt service (unchanging)	$ 825,000	$ 825,000	$ 825,000
b. other cost subject to inflation	$ 4,730,000	$ 9,225,000	$23,940,000
10. TOTAL COST based on 1978 scale of operation	$16,670,000	$31,720,000	$80,990,000
11. DEFICIT (7-10)	None	$ 660,000	$19,550,000

* College population of full-time students was in 1978 about 75,000; it is expected to decline in 1985 to 70,800 or 6 percent, and in 1995 to 48,600 or 35 percent. These percentages are used for full-time students in 1985 and 1995.

** Three part-time students are equal to one full-time equivalent student (FTE).

Faculty and staff cost as a percentage of income,
Tuition and fee income as a function of the size of the student body,
Costs other than personnel and debt service,
Debt service as a separate cost.

The conclusion is as simple as it is chilling: If and when student bodies decline substantially, costs must be shrunk appreciably. The decline in full-time "regular" students will be entirely too great and will last too long for institutions to "ride it out" unless they have accumulated large reserves or can do so in the next few years. The model doest not predict the side effects of the new retirement laws, although other models made in the course of preparing this monograph did so. These models show that deferred retirement aggravates all the financial problems, whether deferred to age 70 or indefinitely.

Predictive models require several caveats:

1. The model on page 41 assumes that 90 percent of costs are paid from tuition and fees and 10 percent from other sources. Each college has its own experience. The 90-10 relationship is fairly typical for the tuition-dependent institutions. The Ivy-League-type institutions have very different relationships between these two income sources.

2. The model reflects statewide averages, which are not valid for all parts of the state. Local variations should be checked carefully.

3. The model assumes stable relationships between birthrates for which data are reliable, kindergarten entry, and ultimate high school graduation. These data have recently been quite stable, but they could change. For example, either more or less high school students might drop out. If secondary school discipline tightens up, it might accelerate the dropout rate.

4. The model assumes a stable relationship between high school graduates and college entrants. An increase in the high-school dropout rate would probably not affect the number going on to college. Dropouts, near-dropouts, and reluctant non-dropouts seldom seek college.

5. The model assumes no great change of migration - in and out. If people continue to leave the state to seek employment elsewhere, families are apt to depart between the appearance of birth data and high school graduation. The reverse is likely, if families move in. The overall growth factor in the model is 0.26 per year, about one-fourth of the national rate.

6. Part-time students are estimated on the basis of 1978 numbers, inflated by 0.26 percent per year.

7. The model assumes no change in the in-flow and out-flow of students seeking college away from home. An institution which does a substantial non-local business depends on the in-flow factor. All the colleges in the state would gain from a reduced out-flow.

8. Mandatory wage and price controls would disjoint the model to the extent they could be enforced, but would have relatively small impact on student numbers.

9. A major depression would affect prices and numbers.

10. A return to selective service, with or without war, depending on the presence or absence of college exemptions or deferments would affect enrollment, perhaps crucially.

11. A predictive model must be updated. At least one college in the middle west is flirting with disaster because it established a model 20 years ago and then blindly followed it despite drastically changed conditions.

12. The white-collar world may become increasingly glutted and the blue-collar become increasingly attractive. The blue-collar world requires different preparation. This set of factors may direct students away from traditional college.

Notes

16. The direct "education" budget for 1978-79 was $178,000,000 plus $28,000,000 for pensions and other fringe benefits carried not in the education budget but in the general fund, and also plus a figure for debt service estimated to be about $25,000,000, also carried in the general fund. The total of these figures is $231,000,000. Of this, the independent colleges were awarded $4,700,000, or just over 2 percent.

17. Deferred retirement shortens the post-retirement survival period and builds up additional retirement income by postponing the activation of annuities. Under present (1978) federal laws, an annuity or pension becomes taxable at age 70½ whether the annuitant accepts the payments or not.

18. Joseph Froomkin et als, Contract OEC 0-72-5023, August 15, 1974. Typescript. Joseph Froomkin, Inc. is located at 1015 Eighteenth street, Washington, D.C.

19. Vague indications have appeared that the white-collar world, for which college preparation has been increasingly necessary, has become glutted and that opportunities have improved in the blue-collar world for which the preparation differs from the traditional college education. The inference is that this has somewhat increased the drop-out rate from high school and may reduce the percentage of high school graduates choosing to go on to college. For the moment this is a small cloud on a large horizon, but it could suddenly loom up as a major factor. Another matter which may affect college enrollment is the possibility of universal military service for both men and women. Were this enacted, a sharp dip would occur in the next year or two, and would be followed by an unpredictable long-run effect. Some thinking is that young people returning after a year or so of public service would be less inclined to seek college; the opposite thought is expressed by about the same number of well-informed observers.

CHAPTER IV - ENROLLMENT, INFLATION, INCOME, AND DEBT

A. INDEXES OF SOLVENCY

As the storm clouds gather over the academic groves, and the threat of bad weather becomes more and more imminent, administrators need to know the relative solvency of their institutions, and public officials need the same information. This chapter attempts to assemble information on the relative solvency of Connecticut's colleges; its conclusions are based on the relationship between particular institutions and statewide averages.

The financial world measures business solvency by certain key ratios, among which are total debt to total assets, and current liabilities to current assets. These ratios do not effectively measure the solvency of a college or university. Some words have different meanings in the educational and business world, and assets are evaluated differently.

Funded debt can be easily and accurately measured, but no certain value can be placed on the fixed assets of educational institutions. The whimsical values ascribed to college buildings reflect the indifference with which tax-exempt institutions approach the subject, except for the amount of insurance.[20] Almost every campus has an "old main," variously named, the hoary age of which testifies to the antiquity of the institution. Like port wine and good whiskey, educational institutions are supposed to improve with the passage of time, and except for science laboratories they can and do make good use of ancient buildings that a business would long since have written off to zero. Most college buildings are unsaleable and, anyway, regardless of age, would have little appeal, even to an unfastidious scavenger.[21]

Current liabilities and current assets cannot be measured with the precision assumed for most business statements. In addition, they can be fudged in many ways. Major contractors like food service companies sometimes hold up their bills past statement date to keep down declared payables. Current assets can be overstated by including uncollectible tuition from prior periods. Unpaid tuition is properly a "collectible," but it should be aged and appropriately discounted. This practice is increasingly common in college accounting. But as a "current asset" even current tuition may be more a hashish dream than a statement of reality. The college treasurer can usually guess from past experience how much he can hope to collect and how soon: but this is privileged information. If the word is out that the college is an easy mark, otherwise collectible money goes into hiding; if, on the contrary, the college gets the reputation for being too tough a collector, philanthropy suffers and so does enrollment.

Differences in accounting complicate comparisons among college balance sheets and operating statements. Some institutions follow rigorously the recently published handbook of college audits; others follow other practices of their own. The finances of a college or university can be traced from year to year through its own operating statements, but, at best, inter-institutional comparisons are beset with uncertainties. The recent New York bond-rating studies guide investors, but not college administrators; some near-bankrupt colleges got good ratings because their real estate offered lush pickings to the scavengers.

This chapter suggests that collegiate solvency can be approximately measured by a series of ratios different from those on which the corporate world relies:

Income	Debt
Enrollment trend	Debt per full-time student
Tuition-charged trend	Debt trend, increasing or decreasing
Tuition-income trend	Debt service as percent of effective and total income
Gifts trend, both in dollars and as a percent of total income	Debt concentrated in federal hands and dispersed in other hands

A convenient way to show trends in income and debt, and the relation between them, is to show index numbers keyed to any desired base. In this chapter the base of 1972 was used to show a five-year trend to 1977.

This chapter discusses tuition-dependent institutions, except Institution H whose statements defied analysis.[22] The Ivy-League institutions are shown in the indexes, but their borrowing has been different. Tuition-dependent colleges had to borrow in order to build and expand. Ivy-Leaguers had more gift income and endowment funds to spend on buildings, and less need to build. What they did in very large amounts was to borrow at tax-exempt rates for any construction, invest gift money at rates up to twice what they paid on borrowed money, and use the difference between the two for other purposes. It was a type of "arbitrage." Tuition-dependents could not do this because they lacked the liquid assets to use in the arbitrage process.

B. INCOME

This chapter uses two terms as follows:

Effective Income	Total Income
Tuition and fees	Tuition and fees
Income from endowments (restricted and otherwise)	Income from endowments (restricted and otherwise)
Miscellaneous	Miscellaneous
Auxiliaries	Auxiliaries
	Gifts, including contributed services of religious persons

Gifts and grants which form an important part of college income are shown separately. The results of a concentrated fund drive, a substantial legacy, or a large one-shot "grant" can inflate the figures for any one year. A ten or a five-year average can show stability, but if the college has just begun to cultivate its alumni with diligence, the average may understate the prospect for the future.

Tuition and student aid interact in complex ways. "Hard money" student aid is usually accounted for among the gifts. From this, it is spilled over into tuition. A few institutions outside the Ivy League have some earmarked endowment which provides student aid income; tuition-dependent institutions generally depend on current gifts. In this monograph tuition is shown, so far as possible, net of student aid, and aid is included in the gift figure.

In addition, many colleges are active discount merchandisers. This involves "soft money" scholarships, in which the college, on the logic that a cut-rate student in an otherwise unoccupied chair is better than no student at all, settles for considerably less than the "tag price." Especially in advanced sections for which the demand is not great, vacant seats are fairly common. The collegiate logic matches that of the airline industry which would rather fill a seat at cut price than fly with it empty. In addition, colleges often permit their own employees and their families to attend tuition-free. In the process they often make two entries. Tuition is credited with one more student and a "soft money" entry is made in the university staff benefit account to cover the difference between what the student really pays and the full "tag price."

Tuition and fees have increased on the average by about 38 percent among Connecticut's tuition-dependent institutions during the last five years. Individual increases ranged from a low of 4 percent to a high of

148 percent. Tuition income is a function of the price charged, the number of students, and the student aid policy. Tuition in 1977 in the independent sector ranged from $2200 to $4600, with a median of $2600 and a mean of $3100. The Ivy-Leaguers made up the upper range above the mean. Some institutions made more money by charging fewer students higher prices than they had previously with more students at lower prices. Institution O, for example, lost 23 percent of its student body in five years, but nevertheless boosted reported tuition income 37 percent by raising full-time tuition 70 percent from $2000 to $3400. Institution C raised its full-time tuition about 24 percent from $2100 to an average of $2600, and increased its total income by about 20 percent. Obviously, the relationship is not linear. These two institutions have full and part-time students and the bottom tuition line reflects the mix. Most independents have raised part-time tuition very cautiously, because it is more closely competitive with the public sector than full time. Obviously, an institution which has kept boosting prices in the last five years by about what the traffic will bear has less margin for further increases than one which has held back.

As was noted above, a college can function with a stable enrollment of almost any size, but it is important to know whether enrollment is increasing, shrinking, or stable. To measure this, 1977 enrollment was indexed to 1972. The range was from .69 for Institution L to 1.11 for Institution B, with a median of 1.03. The array of income increases does not in any way match the array of enrollment increases suggesting that colleges followed quite different practices about tuition.

C. GIFTS AND GRANTS

Gifts have always been vitally important to educational institutions. Since World War II, research and project grants have become extremely important to some and remain a matter of indifference to others. Most colleges distinguish internally between "annual giving" and "capital fund giving," although not usually in audited statements. The former is considered fairly stable income; the latter fluctuates widely from year to year depending on legacies, large gifts, and capital campaigns. Annual giving includes the alumni fund and the efforts of supporting bodies such as women's associations, artistic and musical guilds, and the like. It goes directly into the income account and is expended from it. Most colleges now show capital fund gifts as current revenue, but shunt them into various fund accounts not available for the day to day operation of the institution. A college that spends capital funds for annual operations is eating its seed corn rather than accumulating reserves.

TUITION AND SIZE OF STUDENT BODY

A

	Tuition Income Indexed to 1972
INSTITUTION G	104
INSTITUTION K	111
INSTITUTION E	116
INSTITUTION C	120
INSTITUTION L	129
INSTITUTION Q	137
INSTITUTION M	138
INSTITUTION I	138
INSTITUTION P	142
INSTITUTION N	164
INSTITUTION F	173
INSTITUTION D	178
INSTITUTION B	191
INSTITUTION O	196
INSTITUTION A	248
MEAN	152
MEDIAN	138

B

	Full-time Stud.Index 1977-72	Full-time Tuition* 1977
INSTITUTION A	NA	2200
INSTITUTION M	91	2300
INSTITUTION L	69	2400
INSTITUTION E	85	2500
INSTITUTION C	107	2600
INSTITUTION N	105	2600
INSTITUTION B	111	2600
INSTITUTION P	106	2600
INSTITUTION O	109	2900
INSTITUTION G	83	3200
INSTITUTION Q	77	3400
INSTITUTION I	103	4000
INSTITUTION K	105	4300
INSTITUTION F	99	4300
INSTITUTION D	NA	4600
MEAN		3100
MODE		2600
MEDIAN	106	2600

C

	Full-time** Stud.Index 1977-72
INSTITUTION L	69
INSTITUTION Q	77
INSTITUTION G	83
INSTITUTION E	85
INSTITUTION M	91
INSTITUTION F	99
INSTITUTION I	103
INSTITUTION K	105
INSTITUTION N	105
INSTITUTION P	106
INSTITUTION C	107
INSTITUTION O	109
INSTITUTION B	111
INSTITUTION D	NA
INSTITUTION A	NA
MEDIAN	103

* Rounded to the nearest $100

** Same figures as "B" except arranged by index

ANALYSIS OF GIFTS AND GRANTS

	Gifts and Grants as Percent Effective Income
INSTITUTION A	34
INSTITUTION B	33*
INSTITUTION E	29*
INSTITUTION M	26
INSTITUTION C	25
INSTITUTION L	24*
INSTITUTION K	21
INSTITUTION P	16
INSTITUTION N	14
INSTITUTION F	14
INSTITUTION Q	13
INSTITUTION O	12
INSTITUTION I	11
INSTITUTION G	5
INSTITUTION D	NA**
MEDIAN	18

	Gifts and Grants as Percent Total Income
INSTITUTION D	NA
INSTITUTION B	25
INSTITUTION A	25
INSTITUTION E	23
INSTITUTION M	21
INSTITUTION C	20
INSTITUTION L	19
INSTITUTION K	17
INSTITUTION P	14
INSTITUTION Q	12
INSTITUTION N	12
INSTITUTION F	12
INSTITUTION O	11
INSTITUTION I	9
INSTITUTION G	4
MEDIAN	17

* Figures include the contributed services of religious persons.
** Institution D's Gift and Grant Effective Income was about 65 percent. Including it in the array would not be enlightening.

Grants for specific purposes from foundations or the government are, if anything, chancier than gifts. They come in large amounts, involve special work, and frequently require the institution to assemble a special staff. Some foundations, once interested in a college, make a grant almost every year. Grants from some others, including some large ones, are not continuing, but last two or three years. Frequently the college has built up a staff and trained it, but has not had time to develop other sources of revenue, and when the grant stops, the college has to fire the staff and give up the activity. The college would be wise to look ahead to the end of the grant, and if the future looks too cloudy, refuse it. In practice, virtually all colleges run after grants and publish laudatory news stories about themselves when they get one.

Federal grants often are a one-year, one-shot proposition. Sometimes, especially at the great research centers, they continue long enough for important and expensive people to get tenured. Then, if the federal policy changes, or the taxpayers get up in arms, the grant may be cut off. This may put the college in a serious situation with tenured people, escalating salaries, and a reduced income. This befell some of the nation's great research institutions in the 1970's.

Some institutions, especially those connected with the Catholic church, include in their "gift" category a large figure for contributed services. These represent the monetary value of teaching and other services performed by priests and nuns, virtually without charge. The contributed services item has been declining slowly over the past two decades, as older members of the religious orders died or left the classroom for duties less demanding, and the rate of replacement has not matched the rate of attrition. Within the last few years some signs have appeared that the rate of attrition may be slowing and the rate of replacement again increasing.

Gifts and grants as a percentage of effective income ranged in Connecticut from a high of 25 percent reported by Institutions A and B to a low of 4 percent reported by Institution G. The median is 17 percent. Tuition-dependent colleges generally considered financially weak were mostly above the median, indicating relatively low effective income and an undue reliance on gifts. Those considered strong were clustered around the median. Institution D was absolutely in a class by itself.

D. DEBT

Some colleges which seem to be in debt trouble in 1978 can actually see light at the end of a short tunnel, because some troublesome debt, either high rate or short term or both, will be paid off before the financial crunch of the late 1980's.

Importance attaches to who holds the debt. Debt held by HUD and HEW is probably more amenable to adjustment than most other debt, and the third index in this section shows the amount of debt held by these agencies, and the extent to which debt is concentrated in their hands (Page 53).

Debt held by CHEFA, or more correctly, by various investors who have bought collegiate bonds through CHEFA, is in a special category. The median of debt in federal hands is 76 percent, with a range from 100 percent to 10+ percent. Institutions G and B each have 100 percent of their modest debt in federal hands; P, F, and E are close to the median. Well below the median are institutions O, A, and L with respectively 41, 39,and 23 percent.

Five institutions are primarily involved with CHEFA type bonds; K and D each at 100 percent, C at 72 percent, and N at 63 percent. Institution Q has 33 percent, a significant amount, but CHEFA bondholders are not the dominant creditor. Several of these are secondarily beholden to HUD or HEW, or both.

Still another indicator is the amount of debt per full-time student. The statewide median is $2,800, and the range is from $1,200 to a rather overwhelming $17,100. Three institutions, P, C, and O, are all clustered around the median. On the basis of Connecticut, which is admittedly a limited sample, 1¼ to 1½ times the median is probably within the safe range. The sum of $3,500 is 1¼ times and $4,200 is 1½ times.

Another indicator is the rate of debt reduction. Several institutions reduced their debt substantially between 1972 and 1977, and did little, if any, further borrowing. One reduced its debt by 13 percent in this period. Another reduced its debt held in 1972 by 17 percent, but borrowed further for a new building. One with virtually no debt in 1972 borrowed rather substantially for its size, but paid off 34 percent of the debt in five years.

A final index is the ratio of obligatory payments to income. If the institution is paying off debt fairly rapidly, it can stand a high

DEBT INDICES

Debt per F.T.E.	
INSTITUTION L.	$ 17,100
INSTITUTION K.	13,100
INSTITUTION E.	6,400
INSTITUTION D.	6,200
INSTITUTION Q.	4,800
INSTITUTION A.	3,700
INSTITUTION O.	3,400
INSTITUTION G.	2,800
INSTITUTION C.	2,600
INSTITUTION P.	2,500
INSTITUTION F.	2,400
INSTITUTION B.	2,000
INSTITUTION I.	1,900
INSTITUTION M.	1,400
INSTITUTION N.	1,200
MEAN.	5,200
MEDIAN.	2,800

Debt Reduction 1972/77	
INSTITUTION O.	193
INSTITUTION M.	144
INSTITUTION K.	122
INSTITUTION P.	117
INSTITUTION F.	116
INSTITUTION L.	112
INSTITUTION Q.	102
INSTITUTION I.	98
INSTITUTION N.	96
INSTITUTION E.	91
INSTITUTION A.	91
INSTITUTION G.	91
INSTITUTION B.	87
INSTITUTION C.	83
INSTITUTION D.	NA
MEDIAN AND MODE.	no reduction

	Percent Debt Presumed	
	Federal	CHEFA
INSTITUTION M.	--	--
INSTITUTION L.	23	--
INSTITUTION O.	39	--
INSTITUTION A.	41	--
INSTITUTION I.	63	--
INSTITUTION N.	10±	63
INSTITUTION E.	74	--
INSTITUTION F.	76	--
INSTITUTION P.	79	--
INSTITUTION C.	20	72
INSTITUTION Q.	65	33
INSTITUTION B.	100	--
INSTITUTION G.	100	--
INSTITUTION K.	--	100
INSTITUTION D.	--	100
MEDIAN.	76	

	Ratio Debt Service Income	
	Total	Effective
INSTITUTION L.	24.8	25.0
INSTITUTION K.	10.3	12.4
INSTITUTION Q.	6.5	7.3
INSTITUTION P.	5.5	6.4
INSTITUTION C.	5.0	6.3
INSTITUTION O.	5.1	5.7
INSTITUTION E.	4.1	5.3
INSTITUTION M.	3.8	4.7
INSTITUTION D.	2.7	4.4
INSTITUTION G.	3.9	4.1
INSTITUITON A.	3.1	4.1
INSTITUTION N.	3.3	3.7
INSTITUTION B.	1.9	2.5
INSTITUTION I.	1.5	1.7
INSTITUTION F.	0.7	0.8
MEDIAN.	3.8	4.7

ratio for a few years. On the basis of the Connecticut sample, a ratio of much over 5 percent seems to lead into dangerous territory.

The range in the state is from a low of 0.8 percent to a high of 25 percent. The median is 4.7 percent of effective income. A shift from effective income (without gifts) to total income (including gifts) predictably reduces these figures. The median in the latter is 3.8. Four institutions are well under the median, three are clustered near it, and two are dangerously above it.

E. BREAKDOWN OF EXPERIENCE BY COLLEGE

A recital of the problems or lack of problems of Connecticut colleges shows no pattern. The following comments are presented in order to establish the lack of convenient cliches to explain debt troubles.

The tuition-dependent institutions fall into three groups based on the composite indexes:

1. Dangerously leveraged - very heavy debt,
2. High-leveraged,
3. Solvent institutions with moderate debt and excellent payment records.

Three institutions are considered dangerously leveraged. Another would also fall into this class in terms of debt ratios, but its endowment protects it. Still another is a borderline case; it was in dangerous condition a few years ago, but is now better off.

One heavily leveraged college had effective income considerably below its debt. Debt was held mostly by the federal agencies;"other" debt was about 25 percent of total debt. Interest and principal of the federally funded debt amounted to about 6½ percent of income, to which must be added the carrying charges on the "other" debt.

The second heavily leveraged college also had effective income for 1977 below total debt. Federally funded debt amounted to 23 percent of total debt, and the remainder was "other" debt. The fate of this institution will be determined not by its federally funded debt, but by the private creditors who hold by far the largest portion of the total debt. Carrying charges on the federal debt would be about $50,000 which is reasonable.

These two institutions have maintained interest and principal payments on federal debt through the last five years. Each has reduced the principal of its federal debt by about 10 percent during this period. Each has increased its income; one by 16 percent and the other by 29 percent, despite lower enrollments. But each has continued to borrow from private creditors.

Another heavy borrower was 33 percent in hock to the federal agencies and 65 percent to Connecticut Authority bondholders, but it had only a small amount of "other" debt. Its total debt was some $5,000,000 over effective income. Income had been increased by 37 percent in the last five years despite a 23 percent drop in enrollment, and non-dormitory federal debt was reduced by 6 percent. Dormitory debt stood at its maximum. Debt service came to about 6½ percent of total income. One of these 3 institutions is large, and the other two small, so no size generalization can be drawn.

Another institution was a class by itself. It had long been a proprietary business school, and converted first to a two-year not-for-profit institution, then to a four-year liberal arts college with an emphasis on applied economics. It is located near a planned complex of institutions including several public colleges. It would be considered dangerously leveraged, but it has increased its tuition income by 148 percent in the last five years. About 41 percent of its debt is held by the federal government; the remainder is held elsewhere. It has not reduced its debt, but has brought its student volume up to a level at which the debt is heavy but manageable.

Four other tuition-dependents are somewhat leveraged. Of one the debt figure was about 11 percent below effective income. It had reduced its general federal debt by about 10 percent, its dorm-related debt by about 20 percent in the past five years, and its "other" debt by 12 percent. It had raised its tuition income by 96 percent in the past five years through both increased enrollment and higher charges. Enrollment in 1978 was at its peak. Debt service was about 5+ percent of income. Debt equalled $4200 per full-time undergraduate, or $3400 per full-time equivalent.

A second similar institution had mostly dorm-related debt. It had no general federal debt, but had some debt in private hands. Total debt was below effective income. It had raised its non-dormitory income by 42 percent. It had reduced its federally funded dormitory debt by only 4 percent, but had cut back its other debt by 29 percent. Its debt in 1978 was $2500 per full-time equivalent.

A third institution in this group was a heavy borrower in relation to its size. Its peak enrollment occurred in 1967 and it was down over 50 percent. Its borrowing was entirely related to its dormitory plant. Its debt was 20 percent below its effective income. It had increased its income only 4 percent and its dormitory plant in 1977 stood at its maximum. Debt service was about 4 percent of income. Debt was about $2800 per full-time equivalent.

The fourth similar institution also was a heavy borrower. In 1977 it was obligated to the federal government for its general plant, to the federal government and the state for its dormitory plant, and it had minor "other" debt. It had increased its tuition income by only 20 percent in the past five years, one of the smallest increases in the state, and this despite enrollments which continued to increase, reaching a peak in 1978. It had reduced its debt to a greater extent than any other institution. Debt service was 6.3 percent of effective income. Debt was $2600 per full-time equivalent.

Three tuition-dependent institutions were very strong. Debt of one was only about half of effective income. While enrollment had shrunk 9 percent in the past five years, income from tuition and miscellaneous (non-dormitory) sources had risen 38 percent, and the debt had been reduced by 34 percent. Debt was $1400 per full-time equivalent.

A second institution in this group had the best overall record in the state. Its debt was limited to its dormitory plant and about 56 percent of effective income. It had increased its income by 91 percent in five years, its enrollment had increased, and it had reduced its debt by 13 percent. Debt was $2000 per full-time equivalent.

The third institution in this group also largely followed the pay-as-you-go principle. It borrowed on dormitory and general plant, but very moderately, and "made do" with a modest campus. It had increased its income by 64 percent in the past five years and its enrollment had continued to grow. It had reduced its federally funded debt by about 10 percent, and its "other" debt stood in 1977 at its five-year peak. Debt was $1200 per full-time equivalent.

Clear conclusions are hard to draw. Church relationship is not a factor, nor is urban or suburban location. Colleges and universities which planned on substantial growth and then for some reason failed to get it are the ones which find debt a major factor in their present and future planning. A remedy can be easily stated, but its application may be insufferably difficult; enrollment should be stabilized at some level and the debt then renegotiated with the major creditors on some basis which can be met from the income generated by the new size of the student body.

Notes

20. Since college buildings are untaxed, their value is not given the careful attention given to business and industrial buildings which are taxed. Furthermore, colleges gain nothing from depreciating buildings in terms of federal taxation, although several colleges currently depreciate buildings for their own internal reasons. Finally, college buildings do not sell at all frequently so that no market is established for them. For all these reasons, the value ascribed to college buildings is of little help in determining solvency.

21. Yale does not, in fact, claim that its buildings have any specific value and does not answer federal questionnaires on the subject.

22. Because financial information about a private education institution is a sensitive matter, names of colleges and universities have been coded where deemed advisable.

CHAPTER V - HANDLING DELINQUENT LOANS

A. WORK-OUTS

Most debt in Connecticut was being paid on schedule, but some was in process of work-out. Creditors often hesitate to push their legal rights to the full and prefer restraint. Most creditors are anxious to get colleges back on their feet because the physical security is seldom easy to market. Most creditors permit colleges to defer principal and some to defer interest and principal, provided the college has stabilized enrollment, is being frugally managed, and seems to be getting on top of its own problems. Representative Patsy Mink of Hawaii introduced into Congress in 1975 Resolution H.R. 4863 making three-year moratoria on debt to the federal government a matter of law. This law was not passed and Representative Mink was not re-elected to Congress, but considerable congressional support rallied behind it.

When a commercial debtor cannot pay, the creditor can foreclose, seize the real estate, and sell it. Some states allow the lender to obtain a "deficiency judgment" against the debtor, if the collateral does not sell for enough to retire the debt. Lenders holding college debt can foreclose in every state and can ask the court for deficiency judgments in those states which allow them.

Throughout the 1970's despite less than buoyant economic conditions, an excellent market has existed for most kinds of real estate, but this did not include second-hand colleges, the market for which has been dull. Some have been converted to other uses; if the dormitory plant had good sleeping and cooking facilities it could sometimes be converted to use for the elderly, or for the care (and detention) of unruly juveniles, alcoholics, and drug addicts. Sometimes the classroom buildings are written off and demolished. Sometimes the whole educational plant can be demolished and the lender can make money converting the land to other uses.

Throughout the United States many hard-pressed institutions are in small towns and may be the economic mainstay of the local area. In this case, local banks are inclined to go to great lengths to work out the cases, since the closing of the college would have serious impact on the town and on the bank's other debtors.

Facing a creditor, no matter how menacing he looks across an acre of mahogany desk, a college president should assume that the creditor wants to work the case out, without resort to draconian measures. Lenders

often treat college presidents with the same growling truculence they have rehearsed for years for use on businessmen suspected of imposing on their credulity. A truly experienced deadbeat can present a convincing argument for clemency, and, of such, the world's lenders are weary.

The president's first contact with his creditors may reflect these experiences. Unschooled in financial manners and mores, the president may be unnerved by this treatment, tempers get lost, and the trouble escalates. The creditor holds the advantage of initiative; he can force the liquidation of the college any time he is so minded; on the other hand, the creditor depends on an honest and cooperative debtor, if the case is to be worked out.

The incentives to work out are considerable. In one well-known liquidation of a college a few years ago, the major creditor got between 25¢ and 30¢ on each dollar invested, and had to swallow a loss of several million dollars. The junior creditors were entirely wiped out. This case was precipitated when a bank became concerned that it was overinvolved with the college and called an unsecured loan. The whole structure of collegiate debt collapsed at that point. Had everybody been patient, the case would have been worked out.

Knowing a bit about the creditors' dilemma the college president, if he is half wise in financial matters, sometimes tries to flimflam the creditor. This almost never works. Lenders have had far more experience with flimflam than college presidents have had with lenders. Hence, the president should approach the mahogany desk respectfully, but not subserviently. College financial statements are notoriously hard to interpret, and the president should have with him statements for about five years plus the best available interim figures on the present year. The president must either fully understand his own statements or have with him someone else who does.

A work-out agreement must provide enough latitude so that the college can get on top of its current problems. Otherwise, the arrangement is more of a countdown to an inevitable denouement than a work-out looking to eventual reestablishment of solvency. The creditor must not insist that the college strip itself of cash and marketable securities in order to make the maximum payments to the holder of senior debt. To do so simply bleeds the vitality out of the organism. The college has to pay its current bills, including faculty and staff salaries, if it is to survive as a going concern. If it is not generating enough cash to do this, then it must get its operating costs within its income, or expand its income to cover its operating costs, or surrender its charter and go out of business. Further borrowing simply digs a deeper hole to fall into.

If, on the other hand, the college has enough income from tuition and endowment, and perhaps from gifts, to meet regular expenses, and if the enrollment has stabilized at any level, then the creditor is better advised to compromise the debt than to force it. Compromise may consist of (1) postponement of interest and principal to the maturity of the loan, extending the maturity if need be, (2) temporary reduction in the rate of interest to a token level, or (3) a re-write of the whole mortgage with half or thereabouts continued as a first lien on the old terms and half converted to a second lien payable "if, as, and when." Sometimes the work-out combines some form of each of the three.

The trouble with work-outs is that no one can depend on a "stable" situation for 15 years. Even so, lenders may win on a work-out, but are sure to lose on most forced liquidations.

B. COLLECTION POLICIES OF DEPARTMENTS OF HOUSING AND URBAN DEVELOPMENT, AND HEALTH, EDUCATION AND WELFARE

The collection policy of the Department of Housing and Urban Development is expressed in the "College Housing Management Handbook" 7840-2 (July 28, 1977) and 7820-2 (March 14, 1978), and in Appendix 1, part 279 to 7840-2. The rules set forth in 7840-2 #279 are very similar to the informal 1973 statement of the Department.[23] The Department will not permit co-mingling of funds generated from Department-financed projects with other college revenue. It discourages the leasing of Department-financed facilities to other institutions unless they would have qualified as original debtor under the particular law, and still qualify.

Requests for loan modification or deferment require written notice at least 90 days before the installment becomes due which the college may be unable to meet.[24] Generally the Department has been generous in granting extension and modifications if it saw any light at the end of the tunnel.[25] A college which is still losing enrollment is regarded with suspicion; one which has stabilized enrollment, albeit at a figure far below its peak, is considered hopeful. A college which has good financial records and a president and board of trustees who understand them is vastly preferred to one in which either the president or the board, or both, do not seem to know what is happening.

The deferment of interest and principal payments and reserve fund deposits is limited to one year at a time, and only to the extent that pledged revenue is insufficient to meet the obligation, with no diversion of pledged revenue to other purposes. The rules also prohibit

creation of a lien prior to, on parity with, or even subordinate to the Housing and Urban Development loan; in other words, no second mortgages. The rules further prohibit release of any security, obligor or co-obligor or guarantor, write-down or forgiveness of principal or interest, or extension of the term. Almost the only loophole is extension.[26]

A further concession is sometimes made (not presently by the federal government) where a college cannot meet the payments on the original loan, but could meet the reduced payments on a loan extended for a period up to 50 years on the outstanding balance. The Department will consider refinancing,[27] but rarely has granted it.

The Department of Health, Education and Welfare followed the Department of Housing and Urban Development in lending and has also followed in collection procedures. The rules are less elaborately set forth, but in general the Department cannot, under the relevant legislation, extend loans beyond 50 years, or write them down, or forgive indebtedness. Any such action by either department would require an act of Congress. Each department has virtually unlimited power to declare moratoria.

As long ago as 1973, 35 of 462 institutions throughout the United States which had loans from Health, Education and Welfare were in moratorium status, or about 7½ percent.[28] By 1977-78 this had increased to 18 percent. A larger proportion of religiously affiliated institutions had borrowed from the Department than non-religious and nationally they were in more trouble; about 11 percent were in moratorium status. The Black colleges, long recognized as having special financial problems, were in the worst shape. Thirty-four borrowed and, in 1973, 9 (26 percent) were in moratorium status. The heaviest incidence of moratorium has been among small institutions which thought they were going to grow, but then did not. Connecticut was better than these national averages.

C. PROBLEMS PRESENTED WHEN THERE ARE MULTIPLE CREDITORS

Most college debt is backed by the "full faith and credit of the college," unlike revenue issues in the public sector, such as turnpike revenue bonds. The underlying college real estate is frequently balkanized among various creditors so that no one creditor could seize enough of the plant to operate it as a going concern. A lender with a mortgage on a college heating plant could conceivably foreclose and sell steam to the college, but only if the college were making a dreadful botch of operating its own plant, would the lender improve his position. If the collateral were the college library, the situation would be even worse; banks have little experience running college libraries.

The problem is aggravated on both sides - lender and debtor - when there are multiple creditors. The creditors sit like vultures on a paddock fence watching an ailing mule. If one vulture swoops on the victim, the rest follow immediately. There is not enough mule to fill all the empty tummies, so the stronger ones elbow the weaker creditors off to the ankles while they divide up the choice parts. The financial community, including government agencies, has been in this situation before. Instances were common in the 1930's where two or more creditors held liens on parts of a property; so long as the two lenders and the debtor could work together, there was at least the possibility of eventual work-out. Once the creditors fall to squabbling among themselves, the chances of survival decline and financial loss for the creditors becomes a virtual certainty.

A squabble is almost inevitable when it befalls that a college has made "parietal promises" to two or more lenders that it will require enough students to live in "their" dormitories to pay debt service, and there simply are not enough students to go around. The lenders must agree on some course of action or else disagree and pick the carcass for whatever they can get.

Further complications intrude if the credit is in the form of a bond issue sold to the public and hence held by a large number of individuals and corporations. The trustee bank can always foreclose and seize the assets, incidentally putting the college out of business, but then a bondholders committee has to be assembled to take the next few steps. Most commercial issues now contain provisions that 65 percent of the bondholders can take action binding on the other third, and the bankruptcy act contains a similar provision with the factor of 80 percent.

Premature action by a creditor can trigger consequences different from those which would follow in the business world. Faced with the equivalent of foreclosure many businesses can keep on buying, selling, and manufacturing, while they reorganize and keep on going. A college cannot now do this. The moment really drastic action is seriously discussed word spreads through the institution like wildfire, and students and faculty alike reach for their carpetbags and rush away. Students need valid credentials at every step of the educational way in order to take the next step; the hint of closure sends them off to other institutions where they feel assured of a live registrar's office. When students begin to jump ship, the faculty tries to leave in time to get jobs elsewhere.

The level of trust and confidence between the academic and financial communities is not such that many banks could run a successful college and retain students and faculty. Losses pyramid when the operation

shuts down, and in most cases, short of extreme managerial bungling or dishonesty, or in the odd case where the land is worth enough to salvage the investment, all parties concerned are better off to work together and patch up some sort of financial jury-rig than by destroying the college and peddling the security.

D. THE POLICY QUESTION - LIQUIDATION OR PRESERVATION

Enough of the college debt is held by the federal government so that the government decision on liquidation or preservation will do much to determine the shape of higher education in the 1990's and beyond. The drop in the birth rate and the decline in high-school graduates scheduled with certainty in the 1980's and 1990's will be the main act in a tragic drama for which the 1970's have not yet provided even a dress rehearsal.

In the late 1970's few independent colleges are still adding space, but a number of politically savvy presidents in the public sector have been able to continue to build more buildings, despite the fact that by the time they are finished, smaller student numbers will probably make them superfluous. A better procedure in the public sector would be to squeeze students in somehow, if necessary, using space in the independent sector under contract than to build in the late 1970's for almost certain surplus in the 1980's.

Some policy questions arise for which clear answers are lacking. If a college seems superfluous in 1978, will it still seem so in 1998 or 2008? This question can be answered more factually and less subjectively than most of the others: Unless a large public institution is immediately adjacent and the independent institution is very small, it will probably be needed in 1998, assuming that the same percentage of high school graduates seek higher education. At the present high (and rising) cost of creating new academic space it seems better sense to retain what the nation has, rather like "mothballing" temporarily unused naval vessels, than to destroy it and plan on building anew 50 years hence. If the space is retained, so are the options about its use. It can always be destroyed later or converted to non-educational use, but once destroyed or converted it is probably forever lost to higher education. The demographic argument suggests the virtues of preservation. Obsolescence is a minor problem. Laboratories do indeed become obsolete, but other college buildings last forever and acquire a special patina as they age. A walk across Harvard Yard provides all the evidence needed on this point.

A second question is what happens to surplus faculty. The graduate school pipelines are still well filled in 1978; 34,000 new PhD's were hatched in 1976. There is no personnel shortage, but still a faculty

dismissed and dispersed is hard to reassemble. Competent individuals can be hired, but they do not make an "instant faculty." Years of work on committees and elbow rubbing in "kaffeeklatsches" produces the elan which distinguishes a faculty from a bunch of academicians. This is ephemeral and as hard for an insider to describe as for an outsider to understand; but it is an invaluable academic asset.

E. THE MERITS OF SMALL COLLEGES

While it is sometimes argued that a college much under 1,000 cannot offer a "varied" curriculum, some colleges, most respected in the 1970's, earned their reputations in the 19th century with a couple of hundred students and some of today's most distinguished men and women graduated from just such institutions.

Such colleges taught the classics, English literature, a few sciences, and subjects such as philosophy and ethics. Their faculty were broadly educated men and women, although few were "productive" in the sense of writing books. Students must homogenize their education, or else become intellectual warehouses for an uncatalogued inventory of unrelated facts. Homogenizing is easier at a small college than a large one, and the old-fashioned liberal arts faculty consisted of people who having themselves done it presented a model to oncoming student generations.

Some who sit in the seats of academic power in the late 1970's are still imbued with the concept of size and keep saying that the very small colleges should close. At the same time in their daily litanies they extol the liberal arts. Once a liberal arts college grows large and allows itself to generate highly specialized separate departments it becomes more specialist oriented and less liberal. The very small colleges should not close because they are small, they should be preserved for just this reason; the liberal arts are not threatened by small numbers but by large numbers.

Notes

23. On November 5, 1973, Joseph Westner, Senior Assistant for Legislative affairs of HUD, wrote Representative Ella Grasso in response to an inquiry launched by the present writer:

> The College Housing Program has been in existence since 1951 and to date we have had only one foreclosure which was due to the College closing on its own accord.
>
> Borrowers under the College Housing Program in financial trouble and unable to pay the Debt Service installments due under its loans, may apply to the Department of Housing and Urban Development, Office of Loan Management, for financial assistance.
>
> It is our policy to review each request for financial assistance and if warranted, permit the use of reserve funds to pay debt service payments. In addition, we grant a one-year moratorium on replacement of the reserve funds. If further assistance is required and the reserve funds have been exhausted, a one-year moratorium is granted on the debt service payments. The borrower is also required to submit a plan for regaining financial stability.

24. Section 279.62 (a) and (b) of Appendix 1 of the College Housing Management Handbook reads as follows:

> A borrower seeking a deferment shall make a request therefore in writing to the appropriate HUD Field Office not less than 90 days prior to the date on which it anticipates that it will be unable to meet any payment or deposit requirement. A borrower which has heretofore obtained a deferment shall file a request at least 90 days prior to the expiration of its current deferment. Each request for deferment shall establish to the satisfaction of HUD that the borrower has satisfied the criteria for granting financial relief set forth in #279.63(a).
>
> A borrower which proposes to make a change in the use of a HUD assisted facility either affecting the pledged revenues or involving an ineligible use under the College Housing Program shall make a request in writing to the appropriate field office at least 90 days prior to the date on which the changed use is proposed.

25. Section 279.63 Financial relief supra reads in part as follows:

(a) Criteria for granting financial relief: Deferments with respect to defaults in a borrower's financial obligations under its loan requirements may be granted provided that the following conditions are satisfied.
(1) The borrower is operating as an eligible institution....(2) The borrower is using the HUD assisted facilities for an eligible purpose....(3) The pledged revenues are being properly accounted for....(4)The borrower is in full compliance with the non-financial obligations....(5) The borrower submits a plan of operation and financial data pursuant to which HUD determines that it is making satisfactory progress....

26. Concerning relief to be granted, the rules read in part as follows:

(1) Deferment of interest and/or principal and/or reserve fund requirements may be granted for a period not to exceed one year. (2) Deferment of such payments may be granted only to the extent that the pledged revenues or other sources are insufficient to provide sufficient funds to meet these requirements. The order in which such available funds shall be applied is set forth in paragraph (e) of 279.63. Interest and/or principal payments may be deferred only to the extent that there are not sufficient funds or other assets in any reserve fund or collateral account established pursuant to the Loan Requirements for such payments. The borrower must comply with all the conditions set forth in 279.63a-1 through 4 and all conditions set forth in the Department during any period for which a deferment is provided.

27. In circumstances where a borrower demonstrates that sufficient pledged revenues or other sources of funds will be available to meet the required payments and deposits under the refinanced loan, but cannot pay off all the accumulated delinquences within a reasonable period, consideration will be given to refinancing the loan, if requested by the borrower.

28. Unpublished memorandum from Thomas F. McAnallen, Office of Academic Facilities. The memorandum is undated.

CHAPTER VI - PATHOLOGY AND THERAPY

A. THE DEADLY SIGNS

Some colleges are in trouble, some show signs of trouble, and many others are close to the trouble line. The situation is not incurable, but the palliatives take time to develop, and time is in short supply before the shortfall of student enrollment makes the situation much worse.

A human patient in a doctor's office sometimes exhibits a single revealing symptom which establishes the diagnosis of a potentially serious disease. More commonly the patient has a complex of symptoms which must be interpreted by the doctor. Colleges are the same; an occasional single symptom shines out like a lump of sugar in a coal scuttle; but the symptoms usually come in complex combinations.

Some or all of the following danger signs are exhibited by all colleges that are or have been in financial trouble, or hover on the edge of it:

1. A continued decline in enrollment. A low enrollment which is stable, or one which has stabilized after a marked decline is not necessarily serious; a continuing decline is.

2. Debt exceeding an average year's income.

3. Debt exceeding about $3,500 per full-time equivalent student.

4. Debt service which consumes more than 5 percent of the typical budget.

5. Internal wrangling. No campus is ever entirely at peace, but open warfare between administration and faculty on the eve of a great national enrollment drop can be lethal. The faculty has to understand the issues and the administration must see that it does.

6. Failure to maintain a level of giving that matches the onrush of inflation. Giving includes "contributed services" which is a euphemism for teaching and other service rendered without pecuniary compensation by members of religious orders.

7. Continued borrowing on the eve of the great enrollment drop, except short-term borrowing that will definitely be liquidated to cover cash flow shortfalls, or to meet true emergencies. The years 1979-80 and 1980-81 will probably be years of overcrowding that will tempt some presidents to build new buildings. The overcrowding will

almost certainly ease in 1981-82, and colleges will concentrate their worries on the cold and empty chairs that are earning no revenue.

8. A large debt scattered in the hands of several different creditors. The federal government is a tough but predictable creditor. Private creditors are less predictable and a group of them even less so.

As often stated in this monograph, forecasting college finances is chancier than forecasting the weather. College finances cannot be diagnosed by a computer. The same signs may convey different meanings. A college may survive a debt above limits currently deemed acceptable because it is accelerating repayment before the enrollment drop begins to impair its cash position. Such a college may even have federal debt under moratorium and be concentrating on a private debt contracted by some past administration in a fit of euphoria. If the non-federal debt is paid off before the lean years begin about 1985, such a college may have at least an even chance of survival. A college that has been raising tuition aggressively may find itself at its practical ceiling, whereas one which has been circumspect in its tuition policy may now be able to raise rates faster than inflation. An institution on a designedly spare and modest campus may suffer by comparison with others which spent prudently on amenities; but a college that overspent on frills, especially on borrowed money, may be in trouble.

B. WHAT THE COLLEGES WILL HAVE TO DO FOR THEMSELVES

The hardest job facing colleges in the 1980-1990 period is shrinking costs to meet income as enrollments decline in the wake of the lower birthrate. This would be hard under any circumstances; inflation is a serious complication, and the uncertainty surrounding the retirement legislation of 1978 is a further complication. But the basic facts are not altered so long as tuition and costs both follow the inflation line and enrollments sag, reducing total income.

Shrinking faculty and staff is especially difficult because much of the job must be done before the need is manifest to those who have not been studying the forecasts. The job cannot be done quickly and if not undertaken in time, the college may have to find reserves on which to fall back to cover a number of critical years during which, incidentally, the creditors will be breathing down its neck.

The arithmetic at the end of Chapter III (p.39ff) indicates that deficits will probably begin about 1985 and will grow unmanageable by

1995 unless costs are cut to match revenues. While the Ivy League does not enjoy total immunity, it does have some inherited resistance. Prestige will help to maintain student numbers to an extent to which the tuition-dependent colleges cannot aspire, and endowments will cushion the impact of lean years.

The tuition-dependent institutions have the most urgent problem of cost cutting. Like a barrel tapped at both ends, they can expect to lose students to the Ivy League from one end, and from the other lose inflation-bedevilled students to the relative economy of the public colleges.

Cutting costs by pruning staff from the top down through retirement has been complicated, if not curtailed, by the new legislation. If one full professor at $25,000 is the budgetary equal of 2½ instructors at $10,000 each, then the replacement of the old professor by one instructor would save the budget $15,000. Inflation changes the numbers, but not the relationship. Cutting costs by pruning from the bottom up is much less appealing. More than 2½ instructors would have to be fired to provide a budgetary saving while retaining the old professor at $25,000.

Pruning across the board, regardless of ages, runs counter to the centuries of academic tradition, but it may be required. Impending bankruptcy erodes even the most jealously guarded scruples. If this is done, past experience suggests that less friction results from the elimination of whole departments than from the "here and there" elimination of individual tenured men and women who have "run out of gas" or otherwise failed to meet the expectations of those who appointed them.

The elimination of departments means institutional specialization in areas of strength, and at least temporary abandonment of areas of weakness. Every college would want to retain the "basics" but many would do well to limit their work beyond this to fields in which they clearly excel. Connecticut geography would permit students to move physically from campus to campus for specialized material. Southwest Connecticut has in a loose cluster Bridgeport, Fairfield, Sacred Heart, and Western Connecticut State. Hartford has the University, Trinity, St. Joseph, Hartford College for Women, the Graduate Center, and Central Connecticut State. New Haven has Quinnipiac, New Haven, Yale, Albertus Magnus, and Southern Connecticut State. Clustering opens up all sorts of cooperative possibilities, but even so the cash savings are not great.

The problem is more urgent for some independent colleges than for others, and can be related to the arithmetic at the end of Chapter IV. The colleges which in 1978 were financially strong are not under as much pressure to find new economies as those which in 1978 were in fairly weak positions.

C. RELATED PROBLEMS IN THE PUBLIC SECTOR

The tax-supported institutions will attract some students, driven at spear point by the devils of inflation away from the independent sector. On the other hand, the enrollment shrinkage between 1985 and 1995 promises to be so drastic that the public sector will have to take steps of accommodation. Such steps had best be foreseen and planned for before the fiscal watchdogs begin to growl menacingly over the large increase in costs per student.

If the revenues of the state and the costs of higher education follow similar inflation lines through the 1990's, and if the full-time student body declines as forecast, then the public institutions will suffer like those of the independent sector. For example, about 1985 inflation will carry the 1978 cost per student of $3250 to $6340 in 1985 dollars ($3250 x 1.95 inflation factor) and the slightly smaller number of students will increase the per student cost still further. The 1995 figure would by the same token be ($3250 x 5.06 x 1.31) or over $20,000 per student.

These forecasts involve more arithmetic than is easily digested by those who must, in 1978, make decisions under the pressure of the clamorous daily emergencies. But when the time comes, the financial hawks who circle the sky over each legislature, are apt to swoop suddenly and kick up a major fuss. Faculties in the public sector share with their colleagues in the independent sector a traditional lack of enthusiasm for reductions in numbers, but prudence certainly suggests the retirement of high-priced faculty members as fast as circumstances and the law permit, and their judicious replacement by smaller numbers of younger personnel on recognizably temporary appointments.

New construction obviously should be avoided. The state needs almost five years after authorization to plan and construct a new building. Even if the planning-construction process begins immediately, the building will come on line about the time the need for it will disappear. Some new construction is in the pipeline, either to replace facilities lost through fire or other disaster, or because of promises made before the decline in numbers could be convincingly forecast.

The public sector will have to prune costs, along the same lines as the independent sector, and probably develop inter-institutional cooperation. Cooperation among public institutions is hard enough to organize; much harder would be cooperation across sector lines involving public and independent institutions. The cumbersome bookkeeping of the state is one roadblock; disparity of tuition cost to the student is another. One possibility would be to expand the appropriations under which the state buys educational service from the independent sector. (Public Laws 551 and 140)

In 1978 students paid a median tuition of $2800 in the independent sector. Cost to the state in the public sector was $3250, in direct appropriations and fringes, of which the state general fund recovered about $325. Payments identified as "fees" remain in the college system; payments identified as tuition go to the general fund. The state does not save much money per student by "farming" out students to the independents, and if the public sector had a large vacancy factor, marginal costs might not be reduced at all. On the other hand, the elimination of whole programs, especially weak ones, and providing access to strong programs elsewhere, would benefit both sectors alike.

D. WHAT THE BIG FOUNDATIONS CAN DO TO HELP

As explained on page 36, inflation discourages people who might retire in their late sixties from doing so until health problems force it. The reason is that even CREF pensions are relatively insensitive to inflation, and TIAA pensions are entirely so. If retirement could be made even a little more attractive, presumably the incentives would be different.

The big foundations might be able, through some cooperative arrangement among themselves, to allocate funds to permit easier retirement for individuals long in academic service. The cost obviously would be very large.

E. WHAT THE STATE GOVERNMENT CAN DO

The state has assisted some students in the independent colleges through Public Act 551 which provides modest scholarships. In 1977 the sum donated equaled about 2½ percent of direct state appropriations for higher education. (page 73) Counting fringe benefits and debt service which are carried in other accounts in the state budget, the percentage drops to about the range of 1.8 percent. The percentage is a fairly insignificant part of the state budget, but the amount ($4,000,000) really helped the independents. One argument heard on Capitol Hill

was that the independent colleges could educate a student at least as economically as the state could, and that with the state system crowded, it made sense to buy the service from the independent sector. The first part of this argument will almost certainly remain valid; the second part, i.e., crowding in the state system, will change as enrollment pressure declines.

The state gains from the presence of the independent colleges through diversity and because several of them are located where their capacity will be needed even with plenty of room in the public sector. Therefore, sound public reasons remain to help the independents over the hump. One significant contribution from the state would be assurance of continuance of the 551 program. The state also has a very small program for "farming out" students to independent institutions for programs which are not available, or at least not conveniently available, in the public sector. That is, a student might be "farmed out" if an adjacent independent college had a program the student wanted, whereas the nearest public college making such an offering was clear across the state. This program could be much expanded to the mutual benefit of both systems permitting colleges to specialize in areas of strength for students beyond the basic fields.

F. WHAT THE FEDERAL GOVERNMENT CAN DO

The most important job of the federal government is to tame the inflation which aggravates the other anticipated troubles. This calls for a balanced budget, and this, in turn, calls for moderation of expenditure.

The first three of the following suggestions would involve no new federal money. The next two would require some new money, but not much.

The federal government has some obligation to the independent educational community. It encouraged colleges to expand when more capacity was needed and needed quickly. The colleges responded with a will; many are in trouble already and many more will be in the next few years as a result of overexpansion. Even if there were no obligation, the federal government might as a matter of policy intervene to help some independents over the financial quagmire.

The federal government, through the Departments of Housing and Urban Development, and Health, Education and Welfare, is the largest creditor in the college field. It holds in all $48,665,000 of direct debt, and has guaranteed interest supplements on $21,041,000 additional. These funds have already flowed through the treasury, after approval by Congress and clearance by the Bureau of the Budget. Any inflationary effect they

STATE GRANTS TO INDEPENDENT COLLEGES
AS A PERCENTAGE OF
STATE APPROPRIATIONS FOR HIGHER EDUCATION*

Year	Total Direct Appropriation**	For Independent Colleges	Ratio
1971	$ 93,213,000	$ 894,551	0.96%
1972	100,876,000	332,874	0.33
1973	111,943,000	1,132,052	1.01
1974	118,859,000	2,073,425	1.74
1975	136,126,000	2,963,326	2.18
1976	130,527,000	2,844,622	2.18
1977	140,982,000	2,853,200	2.02
1978	161,515,000	4,000,000	2.48
1979	178,095,000	4,700,000	2.64

* Compiled by Connecticut Conference of Independent Colleges - 1979.

** In addition to the direct appropriations for higher education shown above, there is substantial additional expenditure from other appropriations. Fringe benefits alone cost $28,000,000 in 1979-80, and debt service may be $20,000,000.

might have had, occurred ten to twenty years ago. In addition to this debt, the college community of the independent sector owes an estimated $85,700,000 to or through state bonding commissions, and a substantial amount in private transactions.

The statutes which govern the federal college lending and the regulations issued behind them prohibit debt adjustment except for moratoria on interest and principal. An act of Congress would be required to provide for greater flexibility.

Fifty years ago, during the 1930's, the federal government under two administrations, Republican Herbert Hoover's and Democrat Franklin D. Roosevelt's, entered the lending market for the specific purpose of salvaging embarrassed debtors and protecting their creditors.

Present suggestions flow from the experience of the 1930's, with which the writer had extensive personal experience. The suggestions made here all had successful prototypes in the 1930's. No new administrative machinery would be required; the existing agencies are more than adequate to do the job. But Congress requires considerable time to move legislation through committee, public hearing, and finally out onto the floor for action. The time to start such action is well before the emergency becomes acute.

1. Extension of existing debt. One form of relief would be to rewrite an existing federal loan for 40 additional years at the 1980 or 1985 balance, and at the same interest rate at which the original loan was written in the 1960's. Most of these were around 3 or 3½ percent, and this is clearly unobtainable in the loan markets of the late 1970's. For example, a $5,000,000 loan written in the 1960's would have a 63 percent balance or $3,150,000 at the 20th anniversary. If this loan had been written at 3½ percent and a 4½ percent constant payment, annual installments would have been $225,000 per year. A rewritten loan on the reduced balance would carry payments of $141,750. Even if some installments had been skipped and the balance was not down to 63 percent, the saving would be worthwhile.

   To qualify for such relief a college would have to demonstrate that (a) it could clearly carry the reduced payments, and (b) it had stabilized numbers to the extent possible with declining national enrollment.

2. Rewriting the reduced loan in the original amount. In some cases the reduced loan could be rewritten at its original amount for 40 additional years. If this were done, the college's annual debt service would not change either up or down, but the college could obtain the cash difference between the original amount and the reduced balance. In the example given in #1 above, this would be $1,850,000, and might serve to pay off a high-rate privately held debt.

   To qualify for the second kind of relief the college would have to demonstrate:

   a. It could continue to carry the loan payments.
   b. It had a reasonably stable enrollment.
   c. It could (and would) use the "new" money for purposes that were compatible with the intent of federal legislation.

3. Recasting a delinquent loan. Sometimes a delinquent loan can be recast in "layers." That is, some part of it is continued as a first mortgage in an amount that the lender can carry. The rest, or some portion thereof, is now converted to a second mortgage, usually at a token rate of interest, but in any case with the understanding that for a period of years the debtor will:

   a. Not be asked to pay amortization on the second lien, and
   b. Will pay interest if it can, but will not be harassed if it cannot.

   Sometimes a third layer is converted to a "certificate of claim" which entitles the creditor to a piece of the pie, if the property is profitably sold. The workings of inflation might endow with real substance some certificates of claim which in 1978 seem quite shadowy.

   An example of this sort of adjustment applied to a $5,000,000 loan would be:

   a. A new first mortgage for $2,500,000 at 4½ percent constant with payments of $112,500 instead of $225,000.

   b. A second mortgage for $1,500,000 without amortization at 3 percent interest or a payment of $45,000 per year.

   c. A certificate of claim for $1,000,000 which stipulates that the debtor will pay this amount to the creditor if the property is sold for enough to make it possible.

This kind of adjustment is sometimes called a "partial write-off" and makes sense if:

a. The debtor clearly cannot survive with the original debt.
b. Has an excellent chance to "make it" with the partial write-off.
c. Foreclosure and resale would result in almost certain loss to the lender as great as or greater than the losses sustained through an adjustment like this.

4. Refinance bank debt. This suggestion would involve some additional federal moneys, but fortunately not very much. The intention of this suggestion is to refinance obligations held at high rates, usually by banks. In some small communities (none in Connecticut) both the bank and the community depend on the survival of the college to keep them viable, and the local bank may be over its head in its efforts to sustain the college, and in trouble with the bank examiners. A low interest rate loan to the college from the federal government might double the college's chance for survival. The suggestion to refinance bank debt had its prototype in the kind of refinancing done in the 1930's by the Federal Land Bank, the Home Owners Loan Corporation, and the Reconstruction Finance Corporation. The latter two were established through legislation of the Hoover administration, but came to flower during the Franklin D. Roosevelt administration.

5. Refinance bond issues. Most bonds sold by tuition-dependent colleges, through state agencies like CHEFA in Connecticut, were for relatively short terms such as 25 years. Many of the bonds, in Connecticut at least, were sold fairly early in the 1960's, and by 1980 these issues will be fairly well reduced. The later borrowers were mostly the local Ivy League who presumably will not need a helping hand from on high, having borrowed more for arbitrage than for expansion. The point of this comment is that the amounts involved in the bond issues of the tuition-dependent institutions where the trouble is abrewing do not in the very late 1970's represent much in the way of principal.

The primary purpose of refinancing tag ends of bond issues is that a college in trouble must deal with its creditor or creditors, and a gaggle of bondholders scattered all over the state and perhaps outside the state is not only difficult but also expensive to deal with. The federal government has already tacitly admitted the facts: A few colleges, none of which is in Connecticut, have obtained generous moratorium provisions on their federal debt while they concentrated their efforts on the liquidation of their bond debts.

6. Revision of bankruptcy laws. The federal government should be urged to change these laws to permit a college to undertake voluntary reorganization when in deep financial distress. The courts have not permitted this in the past. As mentioned earlier, in one particular case a college was forced to declare bankruptcy, and the creditors received only 25¢ on the dollar. The college might well have been able to pull itself out of the financial mess if it had been allowed to do so.

Hopefully, suggestions of the sort mentioned here, together with others which on deeper thought and closer examination may seem as good or better, will be pushed by the national associations of colleges so that the long legislative process may be started. Rarely does anything emerge from the legislative process that greatly resembles the initial idea; but nothing emerges that was not started at some time by some one. The situation is already urgent for some institutions and the likelihood of much worse trouble in the next few years is as obvious as the writing on the wall which disturbed the decorum of Belshazzar's famous dinner party.

CHAPTER VII - CONCLUSION

Higher education in Connecticut, spurred on by real social need, government encouragement to expand, easy loan money, and its own rosy prognostications, built a large, expensive-to-maintain complex - faculties and physical plants - in the years from about 1955 to the late 1970's. The decades of the 1980's and 1990's, with the declining birthrate of the 1960's and 1970's yielding smaller pools of high school graduates might well be just as lean as the past was fat. The situation will be exacerbated by the continuing spectre of inflation, the lifting of the mandatory retirement age, the debt-leveraged condition of several institutions, and the prospect of internecine strife as institutions compete for the smaller number of students.

The decades of the 1980's and 90's may spell disaster for some institutions. They will certainly mean hard times for all, especially the tuition-dependent colleges and universities. There are no magic cures. The number of high school graduates available to enter college in 1996, down 24 percent from present levels, has already been largely determined by the 1978 birthrate. There are, however, palliatives, and these must be determined and then pursued with all the vision and energy that can be mustered.

The focus of the report has been higher education in Connecticut, but the nature of the problem, the insights offered, the conclusions reached, and the recommendations made are applicable generally to the national scene. What is necessary by way of conclusion is to underscore the urgency of the situation, its implications not just for higher education but for society as a whole, and the need for immediate, vigorous, far-sighted, and far from easy action.

Humanity has the ability to extrapolate the probabilities of the future from the lessons of the past and the conditions of the present. Yet, temporal parochialism remains a quirk of the psychology of the human mind. Warnings of a coming energy crisis, for example, over the past five years led to incremental rather than major changes in a deteriorating situtation. Most people adapt to the increasingly intolerable before they will confront a problem in the full measure of its severity.

Clearly, logic and all the evidence tell us that only drastic present action can avert a future energy catastrophe. Likewise, many educators may be living in the bubble of the moment. Despite the difficulties some institutions are already encountering, the rosy afterblush of the 1960's

continues for many, and will into the early 1980's. Threatened institutions must not be blinded by that lingering light. The population curves are inexorable; concomitant negatives, continuing high inflation chief among them, highly probable. The best of luck will mitigate but not dispel the coming trouble. And the best of luck is highly improbable. Like the writing on the wall which disturbed the decorum of Belshazzar's famous dinner party, the signs are clear. The question is: will they be heeded in time?

Higher education will survive, and the resilience of individual colleges in the face of near-disaster is not to be underestimated. Thousands of individuals may be casualties of the process and this includes well-prepared young faculty members whose careers were initially disrupted by the Vietnam War. Regardless of the public attitude towards this war, the experience was just as real and just as devastating to those involved in it as to those involved in World War II. By comparison the Vietnam veterans have been neglected from the day they returned to the United States.

Even schools in the most enviable position, buttressed by substantial endowments and reputations likely to preclude enrollment declines, and those largely financed by the taxpavers must anticipate the effects of continued inflation, delayed retirements, and other circumstances which will test the strongest.

Perhaps the large foundations, especially if they were to act in concert, could develop a program to make earlier retirement more attractive. Perhaps the federal and state governments, working together, should funnel subsidies to the schools. Certainly government has a responsibility to help. It had encouraged the expansion in order to meet a social need, and it should, for the general welfare, buffer the pains of contraction. The federal government can help through an enlightened debt policy, extending, refinancing, and recasting loans in a variety of ways.

A few institutions may be beyond preservation, and these would face liquidation. Many others, even if they are facing hungry creditors, are salvageable through good-faith work-out arrangements. In such cases preservation is always preferable. The strength and glory of American higher education is its diversity: small schools and large, public and independent, church affiliated and not, open and elite. Furthermore, present indicators suggest a need for increasing capacity as we move into the twenty-first century, and it will be far less costly in financial and human terms to retrench and sustain than to eliminate and rebuild.

Central to any attempt to preserve those institutions which might totter at the pull of creditors will be enlightened federal action. A refinanced debt may avert foreclosure. New legislation regarding loan policy is necessary, but this will only be stimulated by a concerted effort of educators and educational associations to bring the problem to public and congressional attention.

The schools must also help themselves. The first step is awareness within each academic community. Communication and cooperation between institutions, both within and across sectoral lines, are likewise imperative. With awareness and cooperation it should be possible to develop the planning necessary to meet the coming reduced numbers. Maximum efficiency must be eagerly sought. Yet, a danger lies here, for rigorous business principles cannot be applied to the academic world without compromising education's mission.

In some ways the present plight is worse than that which confronted Pharaonic Egypt. The seven fat years have already passed, and academic America stands on the eve of the lean years without having laid up its grain.

The collective wisdom of academic communities can certainly produce more and better suggestions than those made in this paper. Certainly we must hope they will do so, for unpleasant as the most promising palliatives are to contemplate, the alternative is worse.

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HIGHER EDUCATION ENROLLMENT SURVEY
BY COMMISSION OF HIGHER EDUCATION
CONNECTICUT

YEAR	FULL-TIME UNDER-GRADUATE STUDENTS*	GROWTH RATE		PUBLIC SECTOR		PRIVATE SECTOR	
1953	19,072			8,811	46.2 %	10,261	53.8 %
1954	20,536	1,464	7.6 %	9,755	47.5	10,781	52.5
1955	21,688	1,152	5.6	10,237	47.2	11,451	52.8
1956	22,367	679	3.1	10,490	46.9	11,877	53.1
1957	22,470	103	0.5	10,516	46.8	11,954	53.2
1958	23,935	1,469	6.5	12,231	51.1	11,704	48.9
1959	25,144	1,209	5.0	11,742	46.7	13,402	53.3
1960	27,444	2,300	9.1	12,679	46.2	14,765	53.8
1961	29,735	2,291	6.3	13,589	45.7	16,146	54.3
1962	32,280	2,545	8.5	15,139	46.9	17,141	53.1
1963	34,749	2,469	7.6	16,471	47.4	18,278	52.6
1964	38,384	3,635	10.5	18,232	47.5	20,152	52.5
1965	44,623	6,239	16.3	21,955	49.2	22,668	50.8
1966	50,162	5,539	12.4	25,633	51.1	24,529	48.9
1967	55,953	5,791	11.5	30,271	54.1	25,682	45.9
1968	61,636	5,683	10.1	35,071	56.9	26,565	43.1
1969	67,355	5,719	9.3	39,470	58.6	27,885	41.4
1970	72,881	5,526	8.2	44,239	60.7	28,642	39.3
1971	75,497	2,616	3.5	47,337	62.7	28,160	37.3
1972	74,372	(1,125)	(1.5)	46,334	62.3	28,038	37.7
1973	75,455	1,083	1.4	46,933	62.2	28,522	37.8
1974	76,560	1,105	1.4	48,233	63.0	28,327	37.0
1975	77,834	1,274	1.6	48,880	62.8	28,954	37.2
1976	77,288	(546)	(0.7)	48,037	62.2	29,251	37.8
1977	76,820	(468)	(0.6)	47,169	61.4	29,651	38.6
1978	74,671	(2,149)	(0.3)	44,928	60.2	29,743	39.8

* Does not include U.S. Coast Guard Academy

CONNECTICUT EDUCATIONAL INSTITUTIONS

INDEPENDENT INSTITUTIONS

1. ALBERTUS MAGNUS COLLEGE
   New Haven
2. ANNHURST COLLEGE
   South Woodstock
3. BRIDGEPORT ENGINEERING INSTITUTE
   Bridgeport
4. CONNECTICUT COLLEGE
   New London
5. FAIRFIELD UNIVERSITY
   Fairfield
6. HARTFORD COLLEGE FOR WOMEN
   Hartford
7. THE HARTFORD GRADUATE CENTER
   Hartford
8. HOLY APOSTLES COLLEGE
   Cromwell
9. MITCHELL COLLEGE
   New London
10. MT. SACRED HEART COLLEGE
    Hamden
11. POST COLLEGE
    Waterbury
12. QUINNIPIAC COLLEGE
    Hamden
13. SACRED HEART UNIVERSITY
    Bridgeport
14. ST. ALPHONSUS COLLEGE
    Suffield
15. ST. BASIL'S COLLEGE
    Stamford
16. ST. JOSEPH COLLEGE
    West Hartford
17. ST. THOMAS SEMINARY
    Bloomfield
18. TRINITY COLLEGE
    Hartford
19. UNIVERSITY OF BRIDGEPORT
    Bridgeport
20. UNIVERSITY OF HARTFORD
    West Hartford
21. UNIVERSITY OF NEW HAVEN
    West Haven
22. WESLEYAN UNIVERSITY
    Middletown
23. YALE UNIVERSITY
    New Haven

PUBLICLY SUPPORTED INSTITUTIONS

24. UNITED STATES COAST GUARD ACADEMY
    New London
25. UNIVERSITY OF CONNECTICUT
    Storrs
    BRANCHES in Groton, Hartford, Stamford, Torrington, and Waterbury

STATE COLLEGES

27. CENTRAL CONNECTICUT STATE COLLEGE
    New Britain
28. EASTERN CONNECTICUT STATE COLLEGE
    Willimantic
29. SOUTHERN CONNECTICUT STATE COLLEGE
    New Haven
30. WESTERN CONNECTICUT STATE COLLEGE
    Danbury

REGIONAL COMMUNITY COLLEGES

31. ASNUNTUCK COMMUNITY COLLEGE
    Enfield
32. GREATER HARTFORD COMMUNITY COLLEGE
    Hartford
33. HOUSATONIC COMMUNITY COLLEGE
    Bridgeport
34. MANCHESTER COMMUNITY COLLEGE
    Manchester
35. MATTATUCK COMMUNITY COLLEGE
    Waterbury
36. MIDDLESEX COMMUNITY COLLEGE
    Middletown
37. MOHEGAN COMMUNITY COLLEGE
    Norwich
38. NORTHWESTERN CONNECTICUT COMMUNITY COLLEGE
    Winsted
39. NORWALK COMMUNITY COLLEGE
    Norwalk
40. QUINEBAUG VALLEY COMMUNITY COLLEGE
    Danielson
41. SOUTH CENTRAL COMMUNITY COLLEGE
    New Haven
42. TUNXIS COMMUNITY COLLEGE
    Farmington

STATE TECHNICAL COLLEGES

43. GREATER NEW HAVEN STATE TECHNICAL COLLEGE
    Hamden
44. HARTFORD STATE TECHNICAL COLLEGE
    Hartford
45. NORWALK STATE TECHNICAL COLLEGE
    Norwalk
46. THAMES VALLEY STATE TECHNICAL COLLEGE
    Norwich
47. WATERBURY STATE TECHNICAL COLLEGE
    Waterbury

(26. BOARD FOR STATE ACADEMIC AWARDS, Hartford)

CONNECTICUT POPULATION, BIRTH RATES, AND BIRTHS, 1940-1980*

YEAR	CONNECTICUT POPULATION**		CONNECTICUT BIRTHRATE***	BIRTHS TO CT RESIDENTS***	
1940	1,712,000		14.6	25,074	
1941	1,761,000		16.5	28,996	
1942	1,824,000		20.3	37,059	
1943	1,869,000		20.8	38,880	
1944	1,894,000		17.9	33,986	
1945	1,905,000		17.5	33,409	
1946	1,916,000		21.5	41,131	
1947	1,932,000		23.4	45,181	
1948	1,948,000		21.5	41,965	
1949	1,980,000		20.6	40,819	
1950	2,016,000		20.1	40,485	
1951	2,052,000		21.2	43,506	
1952	2,106,000		22.1	46,537	
1953	2,173,000	Total Growth	22.1	47,996	Total Births
1954	2,246,000	1946-1955	22.5	50,428	1946-1955
1955	2,298,000	393,000	22.8	52,339	450,387
1956	2,342,000		22.9	53,584	
1957	2,393,000		23.8	56,909	
1958	2,456,000		22.9	56,244	
1959	2,498,000		22.6	56,423	
1960	2,544,000		22.3	56,659	
1961	2,604,000		21.9	57,046	
1962	2,663,000		20.8	55,480	
1963	2,711,000	Total Growth	20.8	56,476	Total Births
1964	2,775,000	1956-1965	20.4	56,611	1956-1965
1965	2,825,000	527,000	19.2	54,208	559,640
1966	2,873,000		18.1	52,131	
1967	2,929,000		17.0	49,840	
1968	2,965,000		16.4	48,633	
1969	3,017,000		16.6	50,146	
1970	3,044,000		16.4	49,923	
1971	3,104,000		17.0	52,800	
1972	3,164,000	Projected	17.5	55,400	Projected
1973	3,224,000	Total Growth	18.0	58,000	Total Births
1974	3,284,000	1966-1975	19.0	62,400	1966-1975
1975	3,344,000	519,000	20.0	66,900	546,173
1976	3,404,000		20.0	68,100	
1977	3,464,000		20.0	69,300	
1978	3,524,000		20.0	70,500	
1979	3,584,000		20.0	71,700	
1980	3,644,000		20.0	72,900	

* From "Connecticut's Need for New Teachers," 1971-1986, Research Bulletin #2, Series 1970-71, June 1971, Connecticut State Department of Education

** 1940-1960 are revised mid-year estimates fitted to decennial U.S. Census figures; 1961-69 are current estimates; 1970 is a revised current estimate; 1971-80 are Series 1-B five-year projections 1965-1980 of U.S. Census adjusted to latest current estimate with interim years interpolated.

*** 1940-69 are final birth and birthrate figures; 1970 is a provisional total; 1971-80 are projections. SOURCE: Connecticut State Department of Health.

PREDICTION, PLANNING, AND REALIZATION - PRIVATE SECTOR - 1956 - 1965

TYPE OF INSTITUTION	FULL-TIME ENROLLMENT 1955-56	INSTITUTIONAL ANTICIPATION 1965-66	ACTUAL ENROLLMENT 1965-66	GROWTH	PERCENT
IVY LEAGUE	6,459	6,512	7,877	1,418	22.0
TUITION-DEPENDENTS	4,692	10,760	12,285	7,593	161.8
STRICTLY DENOMINATIONAL "OTHER"	322	705	912	590	183.2
TOTAL INDEPENDENT SECTOR	11,473	17,977	21,074	9,601	83.7

NATIONAL FORECASTS AND CONNECTICUT REALIZATIONS 1965 - 1975

	NATIONAL FORECASTS		CONNECTICUT REALIZATION		
Year	Rate	Date Made	Rate	Departure from National Prediction	
1966	9.36	1965	12.4	Over	3.04
67	7.67	66	11.5		3.83
68	6.00	67	10.1		4.01
69	8.01	67	9.3		1.29
70	4.08	69	8.2		4.12
1971	6.36	1970	3.5	Under	2.86
72	5.78	70	1.5		4.28
73	5.08	70	1.4		3.68
74	5.07	70	1.4		3.67
75	4.91	70	1.6		3.31

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LEGISLATION

ACT		DATE
CH. 94, P.L. 475	Housing Act of 1950.	
	An Act to amend the National Housing Act, as amended, and for other purposes.	April 20, 1950
	Title IV - Housing for Educational Institutions	
CH. 170,P.L. 94	Housing Amendments of 1953	June 30, 1953
	An Act to amend the National Housing Act and other laws relating to housing.	
	Section 24 (b)	
CH. 649,P.L.560	Housing Act of 1954	August 2, 1954
	An Act to aid in the provision and improvement of housing, the elimination and prevention of slums, and the conservation and development of urban communities.	
	Title VIII - Miscellaneous Provisions, Section 808	
CH. 783,P.L.345	Housing Amendments of 1955	August 11, 1955
	An Act to extend and clarify laws relating to the provision and improvement of housing, the elimination and prevention of slums, the conservation and development of urban communities, the financing of vitally needed public works, and for other purposes.	
	Title III - College Housing.*	
CH.1029,P.L.1020	Housing Act of 1956	August 7, 1956
	An Act to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities, and for other purposes.	
	Title VI - Miscellaneous, Section 601 - College Housing	
P.L. 85-104 71 Stat 294	Housing Act of 1957	July 12, 1957
	An Act to extend and amend laws relating to the provision and improvement of housing, to improve the availability of mortgage credit, and for other purposes	
	Title VI - Miscellaneous, Section 601-College Housing	

* This title broadens and liberalizes college housing loan programs to include other educational facilities.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LEGISLATION (2)

ACT		DATE
P.L. 86-372 73 Stat. 654	Housing Act of 1959 An Act to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes. Title VI - College Housing	September 23,1959
P.L. 86-788 74 Stat 1027	Constitution Anniversary Commission Joint Resolution amending the Act of July 14, 1960, to extend the time within which the United States Constitution One Hundred and Seventy-fifth Anniversary Commission shall report to Congress and including certain amendments relating to housing. Section 2 (b)	September 14, 1960
P.L. 87-70 75 Stat. 149	Housing Act of 1961 An Act to assist in the provision of housing for moderate and low income familites, to promote orderly urban development, to extend and amend laws relating to housing, urban renewal, and community facilities, and for other purposes. Title IV - College Housing	June 30,1961
P.L. 88-560 78 Stat. 769	Housing Act of 1964 An Act to extend and amend laws relating to housing, urban renewal, and community facilities, and for other purposes. Title X - Miscellaneous, Section 1002 - College Housing	September 2, 1964
P.L. 89-117 79 Stat. 451	Housing and Urban Development Act of 1965 An Act to assist in the provision of housing for low- and moderate-income families, to promote orderly urban development, to improve living environment in urban areas, and to extend and amend laws relating to housing, urban renewal, and community facilities. Title VI - College Housing	August 10, 1965
P.L. 89-429 80 Stat. 164	Participation Sales Act of 1966 An Act to promote private financing of credit needs and to provide for an efficient and orderly method of liquidating financial assets held by Federal credit agencies, and for other purposes. Sections 3 and 4 (describing revolving loan fund)	May 24, 1966

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LEGISLATION (3)

ACT		DATE
P.L. 89-754 80 Stat. 1255	Demonstration Cities and Metropolitan Development Act of 1966 An Act to assist comprehensive city demonstration programs for rebuilding slum and blighted areas and for providing public facilities and services necessary to improve the general welfare of the people who live in those areas, to assist and encourage planned metropolitan development, and for other purposes. Title X - Miscellaneous, Section 1014 - College Housing	November 3, 1966
P.L. 90-19 81 Stat. 17	Housing and Urban Development Acts - Obsolete References Joint Resolution to amend the National Housing Act, and other laws relating to housing and urban development, to correct certain obsolete references. Section 8 (a)	May 25, 1967
P.L. 90-448 82 Stat. 476	Housing and Urban Development Act of 1968 An Act to assist in the provision for low and moderate income families, and to extend and amend laws relating to housing and urban development. Title XVII - Miscellaneous, Section 1705 - College Housing.	August 1, 1968
P.L. 91-152 83 Stat. 379	Housing and Urban Development Act of 1969 An Act to amend and extend laws relating to housing and urban development, and for other purposes. Title II - Urban Renewal and Housing Assistance Programs Section 219 - Authorization for College Housing Debt Service Grant	December 24, 1969
P.L. 91-351 84 Stat. 450	Emergency Home Finance Act of 1970 An Act to increase the availability of mortgage credit for the financing of urgently needed housing, and for other purposes. Title VII - Miscellaneous, Section 71 - College Housing Grant Authorization.	July 24, 1970

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LEGISLATION (4)

ACT		DATE
P.L. 91-609 84 Stat. 1770	Housing and Urban Development Act of 1970 An Act to provide for the establishment of a national urban growth policy, to encourage and support the proper growth and development of our States, metropolitan areas, cities, counties, and towns with emphasis upon new community and inner city development, to extend and amend laws relating to housing and urban development and for other purposes. Title II - Urban Renewal and Housing Assistance Programs, Section 205 - Authorization for College Housing Debt Service Grants.	December 31, 1970

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE LEGISLATION

ACT		DATE
P.L. 88-204 77 Stat 363	Higher Education Facilities Act of 1963	December 16, 1963
	An Act to authorize assistance to public and other non-profit institutions of higher education in financing the construction, rehabilitation, or improvement of needed academic and related facilities in undergraduate and graduate institutions.	
	Title I - Grants for construction of undergraduate academic facilities Title II - Grants for construction of graduate academic facilities Title III - Loans for constructions of academic facilities	
P.L. 89-329 79 Stat 1219	Higher Education Act of 1965	November 11, 1965
	An Act to strengthen the educational resources of our colleges and universities and to provide financial assistance for students in post-secondary and higher education.	
	Title VII - Amendments to Higher Education Facilities Act of 1963	
P.L. 89-429 80 Stat 164	Participation Sales Act of 1966	May 24, 1966
	An Act to promote private financing of credit needs and to provide for an efficient and orderly method of liquidating financial assets held by Federal credit agencies, and for other purposes.	
	Section 4 - an Act to amend Title III of Higher Education Facilities Act of 1963 to include Section 305 - Office of Education revolving loan fund provisions.	
P.L. 89-752 80 Stat 1240	Higher Education Amendments of 1966	November 3, 1966
	An Act to amend the Higher Education Facilities Act of 1963, the Higher Education Act of 1965, and the National Defense Act of 1958.	
	Section 2 - Extension of grants for construction of undergraduate academic facilities. Section 4 - Extension of grants for construction of graduate academic facilities; extending availability of appropriations. Section 5 - Extension of loans for construction of academic facilities.	

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE LEGISLATION

P.L. 89-787 80 Stat 1378	Departments of Labor, Health, Education and Welfare Appropriation Act, 1967	November 7, 1966
	An Act making appropriations for the Departments... Health, Education, and Welfare...for the fiscal year ending June 30, 1967...	
	Office of Education - Higher educational activities.	
P.L. 90-557 82 Stat 969	Departments of Labor, and Health, Education, and Welfare Appropriations Act 1969	October 11, 1968
	An Act making appropriations for the Departments... Health, Education, and Welfare...for the fiscal year ending June 30, 1969...	
	Office of Education - Higher educational activities.	
P.L. 90-575 82 Stat 1014	Higher Education Amendments of 1968	
	An Act to amend the Higher Education Act of 1965, the National Defense Education Act of 1958...,the Higher Education Facilities Act of 1963...	October 16, 1968
	Title IV - Amendments to Higher Education Facilities Act of 1963	
P.L. 92-318	Education Amendments of 1972	June 23, 1972
	An Act to amend the Higher Education Act of 1965...	
	Title VII - Construction of Academic Facilities A - Grants for the construction of undergraduate academic facilities B - Grants for the construction of graduate academic facilities C - Loans for construction of academic facilities E - General - Recovery of payments	
P.L. 94-482	Education Amendments of 1976	October 12, 1976
	An Act to extend the Higher Education Act of 1965...	
	Part G - Construction of academic facilities	
P.L. 95-43 91 Stat 213	Higher Education Act - Amendments of 1976	June 15, 1977
	An Act to make certain technical and miscellaneous amendments to provisions relating to higher education contained in the Education Amendments of 1976.	